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CREDIT AND CAPITAL MARKETS® 1984

Bankers Trust Company
Economics Department
Donald E. Woolley
Beverly Lowen

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CREDIT AND CAPITAL MARKETS 1984

The year just beginning is likely to see another and more significant test for the nation's credit and capital markets. While the often discussed confrontation between the enormous borrowing requirements of the Government and the reviving financing needs of the private sector did not materialize in 1983, impending changes in the economic climate render the chances much greater of market congestion developing in the course of 1984.

The economy has moved from the recovery phase into full-scale expansion, which is bound to bring further growth in corporate and household demands for credit, as well as some alteration in financial flows and institutional investment policies. But, in contrast with previous business cycle upturns, Treasury financing will not shrink materially this year—or next. And in this environment, and with inflation almost sure to speed up, there will be little leeway for monetary policy to ease. All of which implies that as 1984 progresses interest rates are likely to come under renewed upward pressure, as they have frequently in the second year of business expansions.

Financial Developments in 1983

While last year saw a widespread and healthy rebuilding of liquidity and the development of many of the other financial conditions and responses typically associated with economic recovery, there were important differences as well. Most striking was the unusual behavior of interest rates. Not only did they fluctuate within a much narrower band than in several years, but after easing briefly early in the year they moved up during the spring, as business activity displayed more strength than was anticipated and the Federal Reserve reacted to the rapid growth in the money supply by tightening a notch. Though interest rates traced a sidewise pattern thereafter, 1983 nevertheless wound up with money market rates and bond yields generally above the levels prevailing at the start of the economic recovery and with the yield curve decidedly steepened.

A temporary backing up of interest rates during the initial stages of economic recoveries is not a unique occurrence. However, their maintenance

INTEREST RATE COMPARISONS
IN ECONOMIC RECOVERIES
PER CENT

	March		December	
	1975	1976	1982	1983
Federal funds	5.54	4.84	8.95	9.47
Treasury bills*	5.54	5.05	8.01	8.96
Certificates of deposit*	6.18	5.34	8.66	9.69
Commercial paper*	6.06	5.25	8.51	9.53
Bank prime	7.93	6.75	11.50	11.00
Treasury notes - 3 year	6.81	7.13	9.88	11.13
Treasury bonds - 20 year	7.99	7.97	10.62	11.88
Corporate bonds - Aaa	8.67	8.52	11.83	12.57
Municipal bonds	6.74	6.92	9.96	9.89
Home mortgages	9.25	9.07	13.93	12.45

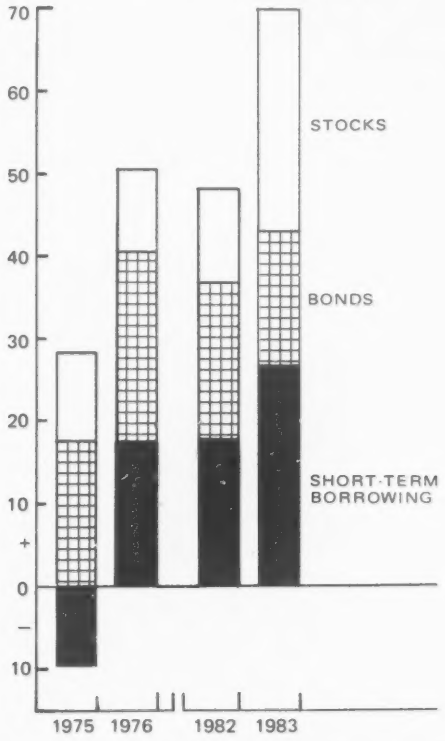
* 90 day maturity

for so long a period at such historically lofty levels, in the face of the marked slowing of inflation that took place in 1983, is without modern precedent, and this clearly affected investment strategies and the flow of funds through the financial markets last year. With the failure of Congress and the Administration to take any meaningful action to deal with the alarming Federal budget deficit, portfolio managers remained reluctant to extend maturities very far, notwithstanding the existing very attractive "real" rates of return. Borrowers, on the other hand, were not deterred to any great degree by the sustained high interest rates, so that last year saw a considerable increase in financing demands. All told, the volume of funds raised came to $527 billion, a hefty $130 billion, or roughly one third, higher than in 1982.

Business Financing As invariably happens with the onset of economic recovery, for a time in 1983 nonfinancial corporations cut back on their short-term borrowing, relying instead on the funds being generated by the liquidation of inventories and by the sharp rebound in profits. Yet in spite of a record excess of internally generated funds over outlays for real investment, the falloff in short-term business financing did not approach the magnitude of the 1975-76 economic recovery, when paydowns of loans at commercial banks persisted for well over a year. Borrowing from finance

companies in 1983 was significantly larger than the year before. For the first time in a couple of years trade debt showed an increase. Instead of running off, as happened in 1982, commercial paper registered some net growth. And the volume of funds obtained by businesses from banks, while a good deal smaller than in the preceding year, was not insignificant. Moreover, late last year bank borrowing picked up in response to the quickened pace of business activity and as many company managements became reluctant to incur the high cost of raising funds in the bond market.

PATTERN OF BUSINESS FINANCING
IN BILLIONS OF DOLLARS

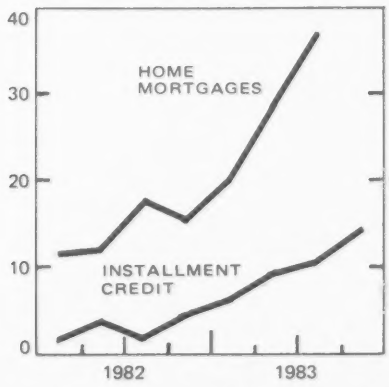


Despite reaching record proportions during the first half of 1983, and even though there was a step-up in private placement activity, net new bond issuance by nonfinancial corporations for last year as a whole was down by 14 per cent, because of the sharp cutback in offerings overseas. More than making up for the shortfall, however, was the very big supply of bonds issued by financial companies, most notably commercial banks but also a variety of other financial service concerns. As a result, corporate bond financing in total amounted to $9 billion more than in 1982 and was the largest in three years. A comparatively large share of these offerings, moreover, was convertible issues.

Far more striking, was the unprecedented amount of funds raised by nonfinancial corporations in 1983 through the sale of common and preferred stock. Financial companies, on balance, increased their stock financing as well, thanks largely to some $2 billion in issues by savings and loan associations. The $30½ billion of equity financing overall last year not only was a record, but it was well over double the amount the year before, and for the first time in memory stock financing matched bond financing.

Household Borrowing Equally striking was the near explosion in borrowing by households. Propelled by the sizable gains in employment and the personal tax cut, consumer credit recorded a net increase of $49 billion in 1983, over 2½ times the growth the year before, when the recession put a damper on the public's ability and willingness to take on new debt. Also, this was twice the expansion which occurred in the initial year of economic recovery following the 1974-75 recession.

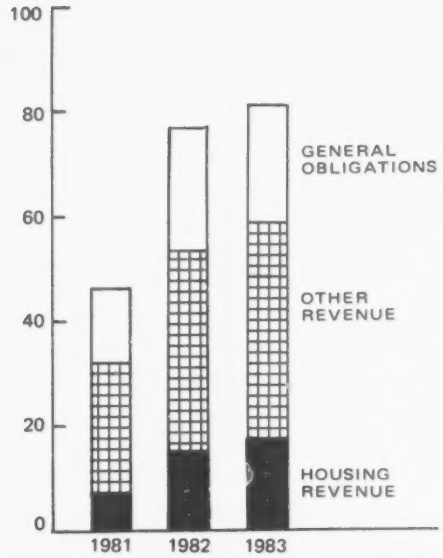
HOUSEHOLD BORROWING
IN BILLIONS OF DOLLARS



The expansion in residential mortgage credit in 1983 was nothing short of astonishing, even taking into account the big rise in housing starts. Home mortgage credit increased by just over $117 billion, more than double the 1982 growth; this, too, far exceeded the expansion during the 1975-76 recovery period. Of the total, one third

was pooled and packaged into GNMA pass-through securities and sold, and another new mortgage-backed instrument, the collaterized mortgage obligation, emerged to expand the market. Accompanying the jump in residential mortgage debt was a sizable expansion in commercial mortgage lending, reflecting the desire of many thrifts to put their money to work and the growing interest in financing office buildings and other commercial properties for tax reasons.

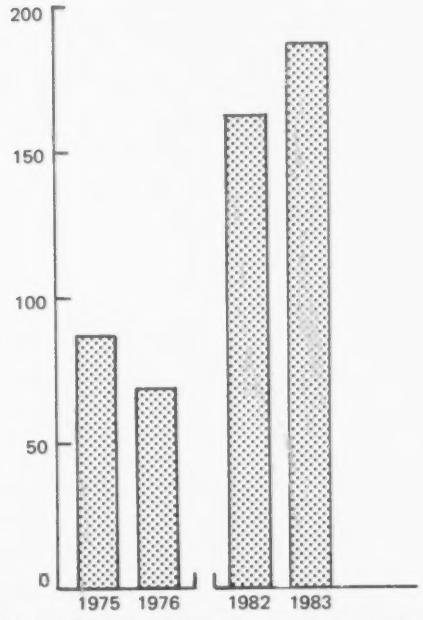
MUNICIPAL BOND ISSUES
IN BILLIONS OF DOLLARS



Municipal Market Financing by state and local governments was again extremely heavy last year; municipal bond volume, in fact, set a record. There was a reduction in issuance of general obligation bonds, but this was more than compensated for by an increase in revenue bonds. Offerings were substantial throughout 1983 and toward the end of the year a flood of housing and pollution control bonds was brought to market because of the failure of Congress to make clear its intention toward their future issuance. An increased supply of joint agency electric utility offerings, deferred earlier following the state of Washington Public Power Supply Service (WPPSS) debacle, came to market as well. And the volume of education bond issues rose, encouraged in part by Sallie Mae guarantees. On top of this, there was an extraordinary amount of advance refundings in 1983.

Treasury Activity Overshadowing all other financing developments last year, though, was the huge and relentless borrowing by the Treasury. The Government raised $174½ billion of net new money in the market in covering the record Federal budget deficit and meeting the needs of the off-budget Federal agencies, $20 billion more than in 1982. This contrasted markedly with the pattern in earlier economic recoveries, when Government borrowing consistently declined appreciably during the first year. Treasury financing fell somewhat short of official projections in the final three months of 1983, as Federal revenues picked up and spending lagged and as the Treasury drew down its very comfortable cash balance. Even so, the Government's borrowing was a problem for the financial markets, as it was throughout the year.

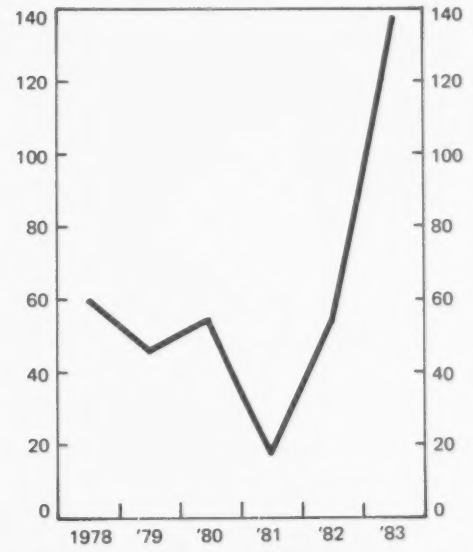
COMPARISON OF
TREASURY BORROWING
IN BILLIONS OF DOLLARS



Within the Federal sector, only agency financing receded last year. The farm credit agencies had less need to borrow because of the still languishing agricultural economy and the Federal PIK assistance program; at under $1 billion, extension of farm mortgage credit by the Federal land banks was the smallest in over five years. Similarly, the surge of deposits into the thrift institutions rendered it unnecessary for the Federal home loan banks to provide funds to the residential mortgage market.

Savings Flows Indeed, the tremendous growth in deposits at thrifts was one of the most noteworthy financial developments in 1983. The savings and loan associations posted a deposit gain of $108 billion, nearly triple the year before, and the deposit experience at mutual savings banks was just as impressive. At the same time, credit unions continued to attract a sizable volume of savings. The new money market deposit accounts introduced toward the close of 1982 enabled thrift institutions to compete effectively with the money market funds, and most were very aggressive in bidding for funds, especially early in the year. And later on, when the expansion in MMDAs slowed, much of the slack at S&Ls was taken up by expanded issuance of jumbo certificates. Further contributing to the strong performance of the thrifts last year was the very active garnering of deposits by brokers.

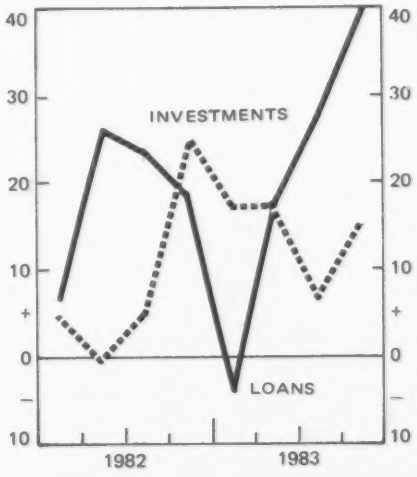
DEPOSIT FLOWS AT THRIFT INSTITUTIONS
IN BILLIONS OF DOLLARS



The savings and loan associations used a portion of their dramatic deposit growth to pay down borrowings from the Federal home loan banks. Still, they greatly expanded their mortgage lending, placing more than $75 billion into mortgages, including GNMAs, compared with under $3 billion in 1982. Also, as part of their portfolio restructuring they increased their consumer lending and purchased some corporate bonds. Nevertheless, the S&Ls still had sufficient funds to double their takings of Government securities. A parallel investment pattern was followed by the mutual savings banks. About 40 per cent of their new funds went into mortgages, whereas in 1982 they had run down their mortgage portfolios. And for the first time in several years savings banks in 1983 purchased corporate bonds in significant amounts. Besides this, they added to liquidity through the acquisition of a sizable amount of Treasury and Federal agency securities. Though the credit unions continued to emphasize consumer lending, they, too, slightly increased their acquisitions of Governments last year.

Bank Credit The sizable volume of funds garnered through the new money market deposit and super NOW accounts permitted commercial banks to extend a much larger volume of credit in 1983, notwithstanding the concern of some institutions over capital adequacy and loan quality. In all, banks made $140 billion of new loans and investments last year, $32 billion more than in the previous year. While there was much less business lending, particularly term lending, banks enlarged their mortgage portfolios considerably and did much more consumer lending, noticeably expanding their share of the consumer credit market in the process. Of greater significance, however, was the $51 billion of Government securities acquired by banks, on top of the very large takings in 1982. It is noteworthy, too, that, unlike in previous economic recovery periods, commercial banks stayed away from the municipal market in 1983, except for trading account activity.

BANK CREDIT EXPANSION
IN BILLIONS OF DOLLARS



Nondepository Institutions Though contractual-type savings institutions, except for fire and casualty insurance companies, had more money to invest last year, they tended, for the most part, to adhere to established investment practices. Life insurance companies, with demand for policy loans at a low ebb, put the biggest portion of their funds into corporate bonds. But they purchased a somewhat larger volume of equities and acquired a sizable amount of Government securities as well. And in spite of the upward sloping yield curve, the life companies added a significant amount of open market paper to their portfolios.

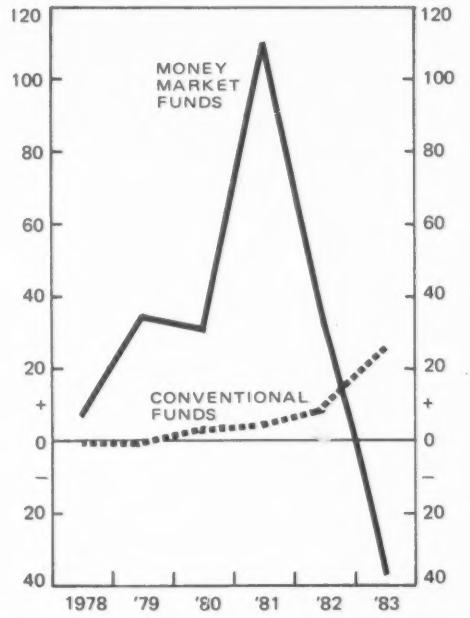
The private noninsured pension funds, by contrast, drew down their cash assets and went heavily into equities; well over half the additions to portfolios last year took the form of common stock purchases. Pension fund managers continued to maintain an interest in corporate bonds and again acquired a good sized amount of Treasury obligations, although not as much as in the preceding year. Also, many pension funds added to their mortgage portfolios through increased takings of GNMAs and other pooled mortgages.

Likewise, the bulk of the new money available to the public retirement funds went into equities in 1983. In addition, they purchased a record volume of Government securities, stepped up their takings of corporate bonds, put a bit more money into mortgage-backed securities and mortgages on income-producing properties and continued to add to their holdings of agency securities.

Faced with continuing underwriting losses, the fire and casualty insurance companies, for the fifth year in a row, suffered a reduction in the growth of their investible funds and had to cut back on purchases of securities. Lacking taxable income, they further restricted their buying of municipal bonds; also they acquired a smaller amount of stock and Treasury obligations. These companies, however, did step up their takings of corporate bonds in order to obtain income.

Other Suppliers Investment companies, taken in the aggregate, experienced an even sharper decline in the funds they supply to the money and capital markets, as their net inflow in 1983 came to only $3½ billion, as against $54 billion the year before. There were vast differences, though, in the performance of the various groups of companies, which showed in their investment activity. The money market funds, after enjoying dramatic growth for five years, were hit with a $37 billion runoff in assets, as investors switched into the higher yielding and Government-insured money market deposit accounts at thrifts and commercial banks. As a result, the money market funds added very little last year to their holdings of open market paper and they had to liquidate a sizable amount of Treasury securities and CDs early in 1983 to take care of withdrawals. The municipal bond funds and unit investment trusts, on the other hand, continued to enjoy healthy growth last year. And reflecting the sustained strength of the stock market and more aggressive marketing by the industry, net sales of shares of conventional mutual funds were over three times larger than in 1982. Though the stock oriented funds were by far the most successful, bond funds also did relatively well last year.

INVESTMENT COMPANIES
NET SHARE SALES
IN BILLIONS OF DOLLARS



Elsewhere, a sizable amount of Treasury obligations was purchased in 1983 by state and local general funds as a consequence of their improving fiscal positions and advance refunding activity. And foreign investors—official and nonofficial together—continued to be large-scale providers of funds to U.S. credit and capital markets, despite

the absence of support from OPEC. Besides stepping up the buying of American equities, foreign investors substantially increased their takings of Treasury obligations. Their acquisitions of corporates slowed, however, in accompaniment with the reduction in off-shore bond financing through Netherlands Antilles subsidiaries.

What stands out in reviewing institutional investment practices last year, however, is that despite the substantial rise in available funds and the very favorable showing of inflation, investors, generally speaking, were not nearly as willing to lengthen maturities as they had been under like conditions in the past. Also, as 1983 came to a close there appeared to be much more uncertainty among financial market participants regarding the direction of the economy, the course of Federal Reserve policy and the outlook for interest rates than is usual when entering the second year of a business recovery.

The Economic Backdrop

Typically, the pace of business activity tends to slow in the second year of recoveries while inflation accelerates, and all the indications are that this will be the pattern this time. But in view of the resilience of the economy in 1983, in the face of the prevailing high interest rates, the still expansionary fiscal policy and the behavior of the monetary aggregates, there is a considerable difference of opinion as to how much of a slowdown in the economy and how much of a speedup of inflation there will be and, more important, how this will affect financing requirements and the actions of investors as well as the monetary authorities.

General Outlook The view underlying this analysis of credit demands and flows of funds through the money and capital markets, and the projections for 1984 shown in the attached tables, is that the economy will perform better than the consensus forecast. It is further assumed that inflation will not be as well contained this year as the majority of forecasters seem to anticipate. Specifically, we expect real gross national product to increase by about 5½ per cent (4¾ per cent from fourth quarter to fourth quarter), with inflation, measured by the GNP deflator, moving up to the 6½ to 7 per cent range by the end of this year. Although corporate profits should post another good advance, the gains will taper off during the year.

Credit-Using Sectors For those sectors of the economy which are large-scale users of credit, the key assumptions made are the following:

- **New-car sales,** including imports, will total just over 10½ million units, with a continuation of the trend toward the purchase of larger more expensive models, and consumer buying of household durables and other big-ticket items will increase further.

- **Home building** will total 1.7 million units, little changed from 1983, and housing prices will rise.

- **Business spending** for new plant and equipment will increase and broaden in response to the higher factory operating rates and improved profitability, raising total investment outlays this year in dollar terms by about 14 per cent.

- **Inventory accumulation** will be much larger than in 1983, even though company managements remain careful about adding to stocks on hand, with manufacturing and trade inventories together expected to increase by as much as $45 billion, on a book value basis.

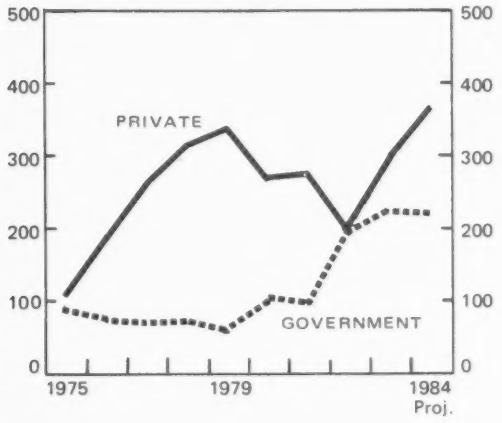
Monetary Policy The expectation with regard to monetary policy in 1984 is that the Federal Reserve will take a pragmatic and disciplined approach, paying attention to the course of business activity, inflation developments and international financial conditions, as well as to the behavior of the monetary aggregates. Given our economic outlook and the fact that nothing meaningful is likely to be done with regard to fiscal policy until some time after the elections, the monetary authorities are expected to lean toward the side of restraint. Even so, we are projecting commercial bank credit to expand this year by a record $148 billion, or by a little over 9 per cent.

Credit Demands in 1984

With economic expansion continuing and broadening in those areas which are big credit users, and with the rate of inflation rising, there will be a sizable increase in private sector needs for financing in 1984, as well as a change in the mix. Borrowing by business will be up considerably

and the financing requirements of households will rise further, though not as rapidly as they did last year. In all, private sector borrowing is projected to approach $365 billion this year, nearly 20 per cent more than in 1983.

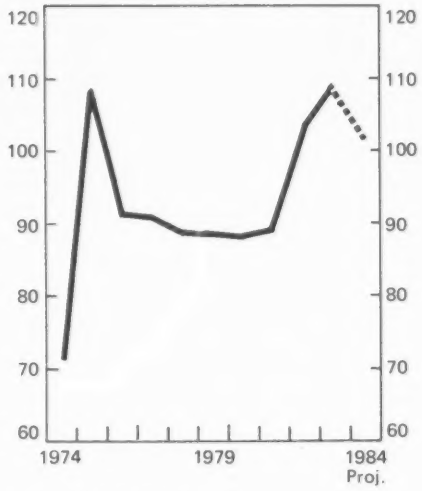
MIX OF FUNDS RAISED
IN BILLIONS OF DOLLARS



Borrowing by various Government entities, meanwhile, promises to stay high. Both financing by the Treasury and municipal borrowing will differ little this year from last, while the volume of funds raised by the Federal agencies is expected to be noticeably larger. For the Government sector as a whole, financing is projected to amount to $238 billion and to account for almost 40 per cent of total borrowing, a historically large share for this stage of an economic expansion. Together private and public financing is put at $586 billion, or just short of $60 billion more than last year.

Short-Term Credit That business needs for short-term credit will increase in 1984, despite the strong corporate cash flow, is foreshadowed by several developments. Most important will be the substantially greater inventory accumulation and the need for additional working capital to support more growth in company sales. Also, capital spending again is becoming a drain on company cash and this will increase over the course of the year. Many companies will be increasing dividend payments in 1984 to maintain payout ratios, and most will not be benefitting this year from Federal tax accruals building up faster than payments, the way they did in 1983. Additionally, with the cost of long-term financing so high, many companies are likely to opt for short-term financing, especially in view of the balance sheet restructuring that has taken place.

CASH FLOW VS PHYSICAL INVESTMENT
BUSINESS CORPORATIONS
IN PER CENT



Short-term bank loans to business are projected to increase by $34 billion in 1984, $7 billion more than last year, and the growth in open market paper outstanding should be a lot larger than in 1983. Finance companies will again be an important source of financing for industry. And the expansion of business activity will likely necessitate a greater extension of trade credit this year. In all, short-term borrowing by corporate and noncorporate business combined is expected to amount to $69 billion, up $24 billion.

Consumer credit is seen as expanding by a bigger amount this year as well, not only because of higher automobile sales and increased buying of other big-ticket consumer durable goods, but because the improvement in consumer confidence is prompting greater use of charge accounts and credit cards. Our projection is for a growth of close to $60 billion in total consumer credit, $10 billion more than in 1983.

Corporate Bonds Corporate bond financing, on the other hand, is likely to decline in 1984, with the slack being more than taken up by borrowing through term loans at commercial banks. One reason for anticipating less bond financing this year, besides the prevailing high cost of borrowing

at long term, is the headway made by many companies the past two years toward shoring up fragile liquidity positions. Another is that petroleum and mining are still depressed. In addition, with the slowing in their construction programs the electric utilities have less need for long-term financing now. Accordingly, even though new offerings by telephone companies increase to make up for the lull in 1983 created by the pending breakup of AT&T, net new bond issuance by business corporations is expected to amount to not more than $14½ billion in 1984, $1½ billion under last year's volume. And following the surge in 1983, a smaller volume of new issues by financial concerns seems likely. The total of net new corporate bond financing is projected at $24½ billion, $5¾ billion less than in 1983.

SHORT-TERM VS. LONG-TERM DEBT
MANUFACTURING CORPORATIONS
IN PER CENT

Business corporations are expected to obtain less funds in 1984, too, through equity financing, the widespread desire of managements to control fixed costs, including the cost of debt service, notwithstanding. Equity-to-debt ratios of many companies were greatly improved this past year, and also the stock market is not likely to be as receptive to new issues this year as it was in 1983. Further, the new tax legislation relative to life insurance companies that will probably be enacted in 1984 will reduce their incentive for buying and holding preferred stock, and they have been the mainstay of this market in recent years. As a consequence, net new funds obtained through the sale of common and preferred stock by both nonfinancial and financial corporations together is projected to amount to $19½ billion, about $10 billion less than last year.

Mortgage Market After taking such a big leap in 1983, mortgage financing is unlikely to expand as rapidly this year. Still, with home building well maintained, an active resale market, prices rising and the use of home equity loans being aggressively pushed by S&Ls and other lenders, the net expansion in residential mortgage debt will probably amount to as much as $140 billion, $14 billion more than last year. Commercial mortgage lending in 1984 should also be up by several billion dollars, in view of the increasing attraction of this area to many investors. And farm mortgage credit extended is expected to increase, after being pared back the past couple of years. In all, mortgage credit is projected to expand by $180 billion, almost $20 billion more than in 1983.

Tax-Exempt Offerings The volume of bond financing by state and local governments, in all likelihood, will recede this year, although the tax-exempt market continues to astonish by its ability to absorb new offerings and by the inventiveness of underwriters in designing new instruments with investor appeal. Some public construction programs are being stepped up and there was a near-record rate of approvals of new general obligation bonds at last November's elections. But a number of new issues of revenue bonds that under normal circumstances would have come to market in the course of 1984 were floated late in 1983. Also, the issuance of housing bonds has been limited for the time being, and some restrictions are being placed on industrial development bonds. Finally, there may not be as great a volume of advance refundings by state and local governments this year. We have projected net new municipal bond offerings in 1984 at about $48 billion, $4½ billion below last year's record figure. However, since there will not be another big runoff of bond-anticipation notes this year total municipal financing will remain essentially unchanged.

Treasury's Position Likewise, the new money needs of the Treasury will shrink very little in 1984. While the Federal budget deficit is expected to be somewhat lower this year, the Federal Financing Bank's requirements, after declining for two years, will probably increase. In addition, the Treasury is not likely to draw down its cash balance as it did last year. As a result, Government borrowing in the market this calendar year is estimated to amount to $172½ billion, only $2 billion under the record in 1983. As it did last year, the Treasury is expected to tap the full range of maturities in undertaking its huge ongoing financing.

Federal Agencies However, after paying off nearly $8 billion of outstanding debt in 1983, the Federal home loan banks are seen as having to raise $3½ billion this year, as the savings and loan associations resume their use of advances. Since it will have more opportunity to participate in the mortgage market Fannie Mae will probably be doing more financing in 1984 as well. The farm agencies doubtless will need to borrow more to meet the agricultural community's increased demands for credit. And because it is an aggressive and actively growing corporation, Sallie Mae is expected to step up its debt financing this year, following its reliance on stock issuance for funds in the year just past. Taking the Federal housing and farm credit agencies and Sallie Mae together the total of net new funds raised is projected to come close to $17 billion, compared with just over $2 billion last year.

Sources of Funds In 1984

Along with the increased financing needs that are in sight, 1984 will see significant changes on the side of the supply of funds to the credit and capital markets, which will be reflected in some alterations in investment policies. Even though deregulation has greatly enhanced the ability of depository institutions to compete for funds, there is not likely to be a repeat in 1984 of last year's phenomenal deposit growth at thrift institutions. Also, bank credit expansion is not expected to be very much greater than in 1983. Investment companies should have a considerably larger inflow of funds this year. Similarly, most of the contractual-type savings institutions are expected to have more money to invest in 1984, though this will not be true of fire and casualty companies. Still, for the financing demands projected here for this year to be met will require that foreign investors make even bigger acquisitions of U.S. securities than last year and that individuals, private trusts, nonprofit organizations and other noninstitutional investors become more active participants in the money and capital markets than is normal for this stage of a business cycle.

The Thrifts With their deposit growth falling well short of last year, thrift institutions will be cutting back on their lending and investing in 1984. At savings and loan associations, the reduction is likely to take the form of placing less funds into CDs and other liquid assets and sharply reducing takings of Government securities. The S&Ls are expected to step up mortgage lending and to maintain their growing presence in the consumer credit market and otherwise continue their gradual asset diversification pattern of the past couple of years. It is anticipated that mutual savings banks will do somewhat more mortgage and consumer lending as well. But savings banks are likely to add fewer corporate bonds to investment portfolios this year and to sharply reduce their purchases of both Government and agency securities. The credit unions no doubt will continue to deploy the greater portion of their steadily increasing deposits to consumer lending, although they may acquire a moderate amount of Treasury securities.

Commercial Banks The expansion in commercial bank credit this year is certain to be weighted more heavily toward loans, whereas in 1983 over one third of the growth in earning assets was in additions to investment portfolios. Both consumer and mortgage lending are projected to be somewhat larger in 1984 and business lending is seen as expanding considerably. Banks are expected again to be large-scale buyers of Government securities, but to a lesser degree than last year. And it is anticipated that banks will again acquire only a nominal amount of municipals, as many institutions continue to obtain tax-exempt income through other means, such as through leasing.

Investment Companies With the large-scale movement of funds into money market deposit accounts at commercial banks and thrifts presumably over, the money market funds are expected to fare much better this year, so that investment companies as a group are likely to experience a year of respectable growth again. For 1984, we are projecting a $10 billion growth in assets for the money market funds, in contrast with last year's $37 billion runoff, with the bulk of this money being put into commercial paper, Treasury securities and CDs. The municipal bond funds and unit investment trusts are seen as continuing to grow, in response to the interest of many individual investors in tax-exempt income. At the same time, the renewed interest of the public in the stock market portends another year of comparatively good growth for conventional mutual funds, although not nearly up to last year. For all of the various investment companies together, the inflow of funds is projected to amount to $42 billion in 1984, a $39 billion increase over last year.

Life Insurance Companies With their premium receipts rising and investment income well maintained, and with no great call for policy loans, the life insurance companies are counting on having more funds to invest this year. In all probability, investment officers will seek to place the bulk of these into permanent investments. As with last year, the biggest portion will go to purchase corporate bonds; in 1983, reportedly they were unable to acquire as many corporates as they would have liked. Life insurance companies will no doubt again be very active in the commercial mortgage market, and will invest more in real estate, increasingly through joint ventures, because of the higher eventual returns they promise. Assuming that the proposed tax legislation relating to the industry is enacted, life companies are unlikely to be attracted to tax-exempt securities this year and will have reduced interest in preferred stock. In all probability, however, they will purchase a small amount of common stock and acquire a sizable amount of open market paper and a slightly larger volume of Government and agency securities to provide liquidity and match the maturities of some new investment products.

Property Insurance Companies Since they are still experiencing operating losses owing to a rise in claims, high costs and a lag in premium income because of keen rate competition, the majority of fire and casualty insurance companies will not have the amount of new funds to invest this year that they did in 1983. Also, given their underwriting losses for several years running and their current low level of taxation, these companies will have very little interest this year, as last, in municipal securities. The property insurance companies are expected to acquire a moderate amount of corporate bonds, though less than last year, and will most likely add to their holdings of equities, albeit gingerly The only area in which they may expand their takings in 1984 is in Government securities.

Private Pension Funds As with life insurance companies, 1984 will be another year of good growth in funds for the private noninsured pension funds, owing to both increased employer contributions and a continued growth in investment income. In light of last year's success with equities, pension fund portfolio managers will probably again allocate the greater part of their investible funds to stock purchases, including more foreign stock, though new equity investment is not expected to be as large as in 1983. In order to keep portfolios in balance, pension funds will probably acquire a moderate amount of corporate bonds this year and will step up their purchases of GNMA pass-throughs and other mortgage-backed securities. In addition, the private pension funds are seen as adding more to their holdings of Government securities, in part for trading purposes, and purchasing somewhat more open market paper for purposes of liquidity.

Public Retirement Funds With the financial condition of most states and municipalities improving, a probable step-up in employee contributions and a slowing in the growth of benefit payments, state and local retirement funds should also see more growth in their investment funds this year. Nevertheless, they will probably keep to their recent investment practices. The primary emphasis will continue to be on the purchase of equities and corporate bonds. In addition, the public retirement funds are likely to acquire more mortgage-backed securities, both GNMAs and the increasingly popular collateralized mortgage obligations. And they are expected to add to their holdings of Government and agency securities, purchasing a larger amount than they did in 1983.

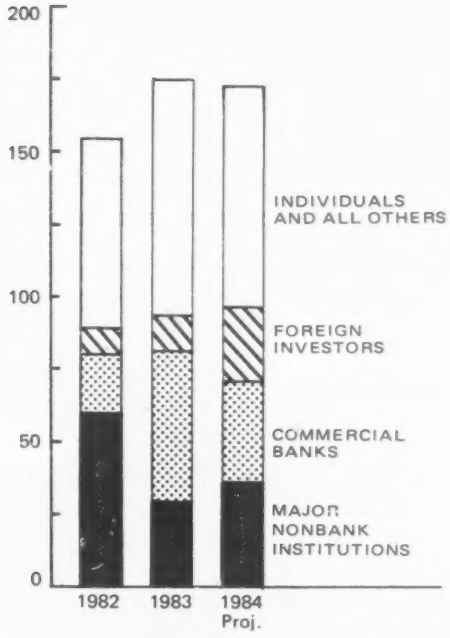
State and local government general funds, too, will most likely be acquiring a good sized volume of Government securities and other short-term investments again this year as a result of their rising tax receipts. Also, the funds obtained by states and municipalities from advance refundings should again be invested primarily in nonmarketable Treasuries.

Assessing the Implications

These changes in sight for the major institutional suppliers of funds to the credit and capital markets and the expected alteration in their investment preferences, in combination with the projected rise in private sector financing, will make the absorption of another huge supply of Government securities more of a problem for the markets in 1984 than it was last year, when there was such a big pool of funds seeking temporary investment.

Providing the Support Although Treasury financing will be essentially unchanged, not many of last year's primary purchasers of Government obligations can be counted on for the same degree of support this year. With business expansion continuing, commercial banks, which in 1983

PURCHASERS OF TREASURY DEBT
IN BILLIONS OF DOLLARS



took close to one-third of all of the net new Treasury offerings, will be concentrating on building up their loan portfolios, as they normally do at this time in the business cycle. Bank acquisitions of Governments should again be very sizable in 1984, but they are not likely to approach the peak volume of last year. Likewise, thrift institutions, having acquired more than enough liquidity and having also achieved widespread acceptance by the public of the adjustable rate mortgage, can be expected to focus on their preferred investment area, the mortgage market. Therefore, the thrifts are expected to purchase a smaller volume of Treasury securities this year. Nonfinancial corporations, having added substantially to their liquid asset holdings during 1983, are seen as buying Treasuries to a much lesser degree as well. This is likely even though the increasing popularity of "defeasance" may prompt more companies to take advantage of recent accounting and SEC rulings to eliminate some noncallable long-term debt from balance sheets through the purchase of Government securities. And notwithstanding the improved fiscal condition of a majority of states and municipalities, state and local general funds will more likely pull back somewhat on their buying of Treasury obligations than take more.

The insurance companies and pension funds, taken together, should increase their holdings of Governments to a greater extent this year, but not by much. Accordingly, to help fill the gap, foreign investors will have to step up sharply their acquisitions, which are importantly linked to U.S. interest rates staying relatively high. In addition, purchases of Treasury securities in larger than last year's record amount will have to come from noninstitutional buyers—individuals, personal trusts, nonprofit organizations and the like. For them to buy more Government securities will require that funds be diverted from other forms of investments in a deregulated environment where competition is both much broader and keener than in past years.

Interest Rate Pressures While the Government's financing can probably be handled without great strains, it is likely to give rise to some market pressures in the course of 1984. Treasury and Federal agency borrowing combined will be laying claim to roughly a third of total financing in the credit and capital markets this year, whereas during the decade of the 1970s it accounted, on average, for only 17 per cent, and was no more than 22 per cent in 1976, the second year of the economic recovery following the 1974-75 recession. Also, the fact that big Federal budget deficits and sustained large-scale Government borrowing are coming to be accepted by investors as a permanent feature of the American financial scene is keeping alive the fear of a resurgence of inflation down the road, which is clearly affecting investment policies.

In this unprecedented fiscal environment, and mindful of the importance of containing inflation psychology and of the high price paid to bring down inflation in 1982, the monetary authorities are expected to keep the credit reins relatively taut throughout this year. Thus, though interest rates may continue to fluctuate in a comparatively narrow range, prospective financial market conditions point to a firming trend during the year, in spite of the moderating economy. ■

TABLES ON THE SOURCES AND USES OF FUNDS

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Technical Note to Tables

The summary tables 1, 2 and 3 include in "total uses" only funds raised by the nonfinancial sectors. Funds raised by financial intermediaries, whether through marketable instruments or by bookkeeping entries, have been excluded. "Total gross sources" also shown in these tables does include funds provided to the financial intermediaries through the credit markets; however, these funds are then deducted in order to arrive at "total net sources."

The financial intermediaries include insurance companies, pension funds, thrift institutions, investment companies, finance companies, real estate investment trusts, commercial banks and federally sponsored credit agencies. The proliferation of these financial intermediaries and their increasing financing through the use of marketable debt and equity instruments have pointed up their important role in channeling credit into alternative uses. These activities do not, however, add to the total available supply of, or the total demand for, credit.

When financial intermediaries raise funds in various markets, they obviously compete with the nonfinancial sectors for the available supply. In order to take full account of pressures in these markets, total funds raised shown in the tables dealing with specific markets, i.e., corporate stock, corporate bond, open market paper and Federal agency, include funds raised by the financial intermediaries.

SUMMARY OF FINANCING — TOTAL FUNDS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Investment	219.3	230.4	221.0	184.1	191.3	255.1	278.7
Short-term	124.1	139.7	77.4	115.5	52.4	96.5	134.3
U.S. Government and budget agency securities, privately held	46.8	29.9	75.7	78.0	153.3	175.6	173.5
Total uses	390.2	400.1	374.1	377.6	397.0	527.2	586.5
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	33.7	33.6	33.9	38.0	47.5	55.5	62.5
Private noninsured pension funds	16.0	16.0	20.3	21.1	26.5	31.7	32.3
State and local retirement funds	14.3	19.4	23.4	24.3	26.8	31.5	35.9
Fire and casualty insurance companies	19.2	17.5	14.5	12.7	11.0	9.9	8.9
Total	83.3	86.5	92.1	96.2	111.8	128.6	139.6
Thrift institutions							
Savings and loan associations	56.7	51.5	42.1	24.1	15.4	97.1	90.7
Mutual savings banks	8.4	4.7	5.3	—.2	- -	15.8	12.1
Credit unions	8.3	2.4	—1.1	1.1	3.8	9.2	9.2
Total	73.5	58.6	46.3	25.0	19.2	122.1	112.0
Investment companies	5.2	22.4	22.5	73.0	50.6	24.6	41.3
Other financial intermediaries							
Finance companies	20.9	24.1	11.8	22.6	4.4	14.1	20.0
Mortgage companies	2.6	—1.4	2.8	.2	2.1	1.5	2.0
Real estate investment trusts	—1.1	—1.0	—.7	—1.1	—.7	—.3	—.3
Total	22.4	21.7	13.9	21.7	5.8	15.3	21.7
Commercial banks	126.2	122.2	101.8	108.8	108.5	140.0	148.0
Business							
Corporations	9.6	24.9	7.1	3.3	9.9	26.8	28.7
Noncorporate business	1.4	1.8	.5	2.6	1.7	3.7	3.8
Total	11.0	26.7	7.6	5.9	11.6	30.5	32.5
Government							
U.S. Government	3.1	6.2	6.9	4.3	1.9	1.5	1.8
Federally sponsored agencies	13.8	19.8	18.0	14.0	12.7	7.1	12.6
State and local general funds	11.5	8.1	14.5	9.8	24.9	30.1	26.5
Total	28.4	34.1	39.4	28.1	39.6	38.7	40.9
Foreign investors	40.4	—3.1	28.2	21.9	21.5	21.9	38.0
Individuals and others	47.4	81.2	59.6	54.3	49.6	39.1	55.2
Total gross sources	437.8	450.3	411.5	434.9	418.1	560.8	629.2
Less: Funds raised by financial intermediaries							
Investment	9.2	10.0	8.1	—1.0	3.6	17.6	11.7
Short-term	14.5	16.7	5.2	28.4	1.2	13.8	14.3
Federally sponsored agency securities, privately held	23.9	23.6	24.1	29.9	16.3	2.2	16.7
Total	47.6	50.3	37.4	57.3	21.1	33.6	42.7
Total net sources	390.2	400.1	374.1	377.6	397.0	527.2	586.5

SUMMARY OF FINANCING — INVESTMENT FUNDS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Corporate securities							
Bonds	21.1	17.3	26.7	22.1	18.8	16.2	14.6
Stocks	—.1	—3.9	12.9	2.5	11.4	26.8	17.5
Total	21.0	13.4	39.6	24.6	30.2	43.0	32.1
State and local securities	28.4	30.4	30.3	21.8	50.5	46.3	47.8
Real estate mortgages	150.2	163.5	134.9	113.9	83.0	161.2	180.5
Foreign securities	3.7	4.8	3.1	5.7	8.0	7.3	7.8
Term loans							
Commercial banks	15.7	17.7	12.5	17.5	19.5	—2.5	10.5
Banks for cooperatives	.4	.6	.5	.6	.2	—.2	- -
Total	16.1	18.3	13.0	18.1	19.7	—2.7	10.5
Total	219.3	230.4	221.0	184.1	191.3	255.1	278.7
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	28.4	25.9	23.5	18.8	27.9	36.0	41.7
Private noninsured pension funds	15.3	12.6	14.5	11.3	16.3	23.1	21.8
State and local retirement funds	9.4	12.3	13.1	16.6	14.3	18.0	20.4
Fire and casualty insurance companies	18.3	16.3	10.1	9.2	7.7	7.9	6.1
Total	71.4	67.1	61.2	55.9	66.2	85.0	90.0
Thrift institutions							
Savings and loan associations	56.2	48.7	35.7	23.2	4.0	77.5	82.0
Mutual savings banks	8.5	4.2	2.1	—2.5	—2.4	8.2	9.5
Credit unions	2.1	.1	—.4	—.4	—.6	- -	.2
Total	66.8	53.0	37.4	20.2	.9	85.7	91.7
Investment companies	1.1	2.7	6.6	9.7	27.5	39.6	33.3
Other financial intermediaries							
Mortgage companies	2.6	—1.4	2.8	.2	2.1	1.5	2.0
Real estate investment trusts	—1.1	—1.0	—.7	—1.1	—.7	—.3	—.3
Total	1.5	—2.4	2.1	—.9	1.4	1.2	1.7
Commercial banks	61.6	59.3	45.0	44.4	42.5	34.2	46.5
Business corporations	.2	- -	—.2	- -	.1	.3	.2
Government							
U.S. Government	3.1	6.2	6.9	4.3	1.9	1.5	1.8
Federally sponsored agencies	12.6	15.0	14.6	13.2	14.0	6.6	9.9
State and local general funds	1.9	6.0	10.5	7.8	6.1	5.8	5.5
Total	17.6	27.2	32.0	25.3	22.1	13.9	17.2
Foreign investors	3.1	3.5	10.7	12.4	14.5	10.2	9.5
Individuals and others	5.2	30.0	34.3	16.1	19.8	2.6	.3
Total gross sources	228.5	240.4	229.1	183.1	194.9	272.7	290.4
Less: Funds raised by financial intermediaries							
Bonds	7.5	7.8	7.1	—.8	2.3	14.0	9.9
Stocks	1.7	2.2	1.0	—.2	1.3	3.6	1.8
Total	9.2	10.0	8.1	—1.0	3.6	17.6	11.7
Total net sources	219.3	230.4	221.0	184.1	191.3	255.1	278.7

SUMMARY OF FINANCING — SHORT-TERM FUNDS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Open market paper	11.9	21.8	15.8	33.1	7.5	3.7	14.0
Consumer credit	48.8	45.5	4.9	24.0	18.3	49.0	59.0
Policy loans	2.6	4.7	6.6	7.3	4.3	1.5	2.0
Loans of Federally sponsored agencies	1.6	4.7	2.8	.8	—1.7	—.5	2.2
Bank loans to business	25.1	35.8	22.8	40.3	25.7	26.9	34.0
Other bank loans	15.7	- -	12.9	.5	3.1	.8	1.6
Other business credit							
Net trade credit	6.9	17.1	8.3	- -	—4.6	5.5	11.5
Finance company loans	11.5	10.1	3.4	9.5	—.1	9.6	10.0
Total	18.4	27.2	11.7	9.5	—4.7	15.1	21.5
Total uses	124.1	139.7	77.4	115.5	52.4	96.5	134.3
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	3.7	6.0	8.5	13.9	7.5	7.5	7.8
Private noninsured pension funds	.8	1.0	1.3	.7	- -	.2	1.0
Fire and casualty insurance companies	- -	- -	2.1	1.2	1.0	- -	.5
Total	4.5	7.0	11.9	15.8	8.5	7.7	9.3
Thrift institutions							
Savings and loan associations	.8	4.2	4.6	.3	4.8	6.6	6.8
Mutual savings banks	.9	1.2	1.9	1.5	2.3	1.3	1.6
Credit unions	6.7	2.2	—2.5	1.9	1.3	6.3	7.0
Total	8.4	7.6	4.0	3.7	8.4	14.2	15.4
Investment companies	3.7	15.5	13.1	38.7	—1.9	4.1	5.0
Finance companies	20.9	24.1	11.8	22.6	4.4	14.1	20.0
Commercial banks	65.6	56.6	31.7	53.1	38.6	52.4	64.5
Business							
Corporations	13.9	24.8	10.5	4.7	2.4	13.0	20.7
Noncorporate business	1.4	1.8	.5	2.6	1.7	3.7	3.8
Total	15.3	26.6	11.0	7.3	4.1	16.7	24.5
Federally sponsored agencies	1.6	4.7	2.8	.8	—1.7	—.5	2.2
Foreign investors	7.9	6.9	4.4	.8	—.5	- -	3.0
Individuals and others	10.6	7.4	—8.0	1.2	—6.3	1.6	4.7
Total gross sources	138.6	156.4	82.6	143.9	53.6	110.3	148.6
Less: Funds raised by financial intermediaries							
Open market paper	14.6	18.0	4.8	20.9	—2.0	13.1	12.2
Financial bank loans	—.1	—1.3	.4	7.5	3.2	.7	2.1
Total	14.5	16.7	5.2	28.4	1.2	13.8	14.3
Total net sources	124.1	139.7	77.4	115.5	52.4	96.5	134.3

U.S. GOVERNMENT AND AGENCY SECURITIES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
U.S. Government and budget agency securities, privately held							
U.S. Government securities	48.0	30.9	75.9	78.1	153.9	174.6	172.5
Budget agency securities	—1.2	—1.0	—.2	—.1	—.6	1.0	1.0
Total	46.8	29.9	75.7	78.0	153.3	175.6	173.5
Federally sponsored agency securities, privately held	23.9	23.6	24.1	29.9	16.3	2.2	16.7
U. S. Government and agency securities, privately held	70.7	53.5	99.8	107.9	169.6	177.8	190.2
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	1.7	1.8	2.0	5.4	12.1	12.0	13.0
Private noninsured pension funds	—.1	2.4	4.5	9.1	10.2	8.4	9.5
State and local retirement funds	4.9	7.1	10.3	7.7	12.5	13.5	15.5
Fire and casualty insurance companies	.9	1.2	2.3	2.3	2.3	2.0	2.3
Total	7.4	12.5	19.1	24.5	37.1	35.9	40.3
Thrift institutions							
Savings and loan associations	—.3	—1.4	1.8	.6	6.6	13.0	1.9
Mutual savings banks	—1.0	—.6	1.3	.8	.2	6.3	1.0
Credit unions	—.5	.1	1.8	—.4	3.1	2.9	2.0
Total	—1.6	—1.9	4.9	1.0	9.9	22.2	4.9
Investment companies	.4	4.2	2.9	24.6	25.0	—19.1	3.0
Commercial banks	—1.0	6.3	25.1	11.3	27.4	53.4	37.0
Business corporations	—4.5	.1	—3.2	—1.4	7.4	13.5	7.8
Government							
Federally sponsored agencies	—.4	.1	.6	- -	.4	1.0	.5
State and local general funds	9.6	2.1	4.0	2.0	18.8	24.3	21.0
Total	9.2	2.2	4.6	2.0	19.2	25.3	21.5
Foreign investors	29.5	—13.6	13.2	8.7	7.5	11.7	25.5
Individuals and others	31.5	43.7	33.3	37.2	36.1	34.9	50.2
Total	70.7	53.5	99.8	107.9	169.6	177.8	190.2

U.S. GOVERNMENT SECURITIES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
U.S. Government debt, publicly held	55.1	38.8	79.8	87.7	162.3	186.8	182.0
Less: Holdings of Federal Reserve banks	7.1	7.8	3.9	9.6	8.4	12.2	9.5
U.S. Government debt, privately held	48.0	30.9	75.9	78.1	153.9	174.6	172.5
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	—.5	.1	1.0	2.3	8.4	8.5	9.2
Private noninsured pension funds	—.1	1.4	4.1	7.6	8.2	7.6	8.5
State and local retirement funds	3.7	4.8	6.9	6.1	8.3	9.5	11.0
Fire and casualty insurance companies	.9	1.2	1.9	2.3	2.2	1.8	2.3
Total	4.0	7.5	13.9	18.4	27.0	27.4	31.0
Thrift institutions							
Savings and loan associations	—1.7	—1.5	.8	—.1	6.6	12.5	1.2
Mutual savings banks	—1.0	—.3	.7	—.2	.7	5.0	.5
Credit unions	—.5	.7	1.8	—.1	1.9	2.0	1.2
Total	—3.2	—1.1	3.3	—.4	9.2	19.5	2.9
Investment companies	.4	2.6	7	18.9	23.1	--17.2	2.5
Commercial banks	—6.5	.4	15.9	1.9	20.4	51.0	35.0
Business corporations	—5.2	1.4	—3.7	—1.4	7.3	13.5	7.8
Government							
Federally sponsored agencies	—.4	.1	.6	- -	.4	1.0	.5
State and local general funds	7.5	2.0	3.7	1.2	19.3	23.5	20.0
Total	7.1	2.1	4.3	1.2	19.7	24.5	20.5
Foreign investors	28.2	—14.1	10.6	7.1	8.0	12.5	25.0
Individuals and others	23.1	32.1	31.0	32.4	38.8	43.4	47.8
Total	48.0	30.9	75.9	78.1	153.9	174.6	172.5

Source: U.S. Treasury Department.

FEDERAL AGENCY SECURITIES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Federally sponsored agencies							
Housing agencies:							
Federal home loan banks	9.2	5.8	7.9	16.8	3.4	—7.8	3.5
Federal Home Loan Mortgage Corporation	.7	.4	—.4	.8	—1.0	1.6	1.0
Federal National Mortgage Association	9.2	7.4	6.7	3.6	11.3	5.0	7.0
Total	19.1	13.6	14.2	21.2	13.7	—1.2	11.5
Farm credit agencies:							
Banks for cooperatives	.4	—4.3	- -	—.4	- -	- -	- -
Federal intermediate credit banks	.3	—8.8	—.9	—.4	—.5	- -	- -
Federal land banks	1.2	—4.4	—3.6	—2.6	—2.9	—3.4	- -
Federal farm credit banks - system wide*	2.5	28.1	14.9	11.9	5.0	4.1	2.7
Total	4.5	10.7	10.4	8.4	1.6	.7	2.7
Student Loan Marketing Association	- -	- -	- -	.4	1.2	2.2	2.5
Total	23.6	24.3	24.7	30.0	16.5	1.7	16.7
Less: Federal Reserve banks	—.3	.7	.6	.2	.2	—.5	- -
Total, privately held	23.9	23.6	24.1	29.9	16.3	2.2	16.7
Budget agencies							
Export-Import Bank	—.9	—.7	- -	- -	—.2	.5	.5
Federal Housing Administration	- -	—.1	—.1	—.1	—.1	—.1	- -
Government National Mortgage Association	—.6	—.2	—.2	—.1	—.6	- -	- -
Tennessee Valley Authority	- -	—.1	- -	- -	- -	.5	.5
Total	—1.5	—1.1	—.2	—.2	—.9	.9	1.0
Less: U.S. Government investment accounts	—.3	- -	- -	- -	—.3	—.1	- -
Federal Reserve banks	- -	—.1	- -	- -	- -	- -	- -
Total, privately held	—1.2	—1.0	—.2	—.1	—.6	1.0	1.0
Total	22.8	22.6	23.9	29.8	15.7	3.2	17.7
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	2.2	1.7	1.0	3.0	3.7	3.5	3.8
Private noninsured pension funds	- -	1.0	.4	1.5	2.0	.8	1.0
State and local retirement funds	1.2	2.3	3.4	1.6	4.2	4.0	4.5
Fire and casualty insurance companies	- -	- -	.4	- -	.1	.2	- -
Total	3.4	5.0	5.3	6.1	10.0	8.5	9.3
Thrift institutions							
Savings and loan associations	1.4	.1	1.0	.7	- -	.5	.7
Mutual savings banks	- -	—.4	.6	1.0	—.5	1.3	.5
Credit unions	- -	—.6	- -	—.3	1.2	.9	.8
Total	1.4	—.8	1.5	1.5	.7	2.7	2.0
Investment companies	- -	1.6	2.2	5.6	1.6	—1.9	.5
Commercial banks	5.5	6.0	9.2	9.4	7.0	2.4	2.0
Business corporations	.7	—1.3	.5	- -	.1	- -	- -
State and local general funds	2.1	.1	.3	.8	—.5	.8	1.0
Foreign investors	1.3	.5	2.6	1.6	—.5	—.8	.5
Individuals and others	8.3	11.5	2.4	4.8	—2.7	—8.5	2.4
Total	22.8	22.6	23.9	29.8	15.7	3.2	17.7

*Beginning in 1979, the farm credit agencies have consolidated their borrowing under the aegis of the Federal Farm Credit System.

Sources: U.S. Treasury Department, *Treasury Bulletin* and Federal Reserve, *Federal Reserve Bulletin*.

CORPORATE BONDS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Issued in the United States:							
Publicly offered							
Manufacturing	3.4	5.6	13.8	10.8	10.0	9.0	7.8
Petroleum and mining	.3	.5	.8	1.5	1.1	1.2	1.0
Transportation	1.1	1.4	1.8	1.2	1.4	1.4	1.4
Electric, gas and water	4.5	5.4	7.5	7.7	9.1	7.6	6.5
Communication	2.9	3.7	6.3	4.1	1.7	3.8	5.0
Financial and real estate	7.0	8.7	11.1	11.1	16.8	20.5	16.0
Commercial and other	1.3	1.2	3.3	2.5	3.8	5.0	4.5
Total	20.5	26.5	44.6	39.0	43.9	48.5	42.2
Privately placed	17.0	14.4	11.6	7.0	9.6	12.5	10.5
Total issued	37.4	40.9	56.3	46.0	53.5	61.0	52.7
Less: Retirements and adjustments*	8.8	15.8	22.5	24.7	32.4	30.8	28.2
Net new issues	28.6	25.1	33.8	21.3	21.1	30.2	24.5
Funds raised by:							
Financial intermediaries							
Commercial banks	1.1	2.4	2.3	1.8	4.5	6.4	4.7
Savings and loan associations	.7	1.4	.4	—.5	.1	.3	.4
Finance companies	2.5	2.5	1.1	1.6	3.4	2.8	3.0
Real estate investment trusts	—.2	--	—.2	—.7	--	--	--
Other	3.4	1.5	3.5	—3.0	—5.7	4.5	2.0
Total	7.5	7.8	7.1	—.8	2.3	14.0	9.9
Business corporations	21.1	17.3	26.7	22.1	18.8	16.2	14.6
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	15.9	11.3	8.1	6.3	14.5	20.0	22.0
Private noninsured pension funds	7.4	4.7	3.1	2.9	3.5	3.6	3.0
State and local retirement funds	4.7	6.9	6.3	6.0	3.2	3.8	3.2
Fire and casualty insurance companies	1.4	1.4	—1.9	1.8	2.4	3.7	2.7
Total	29.4	24.3	15.6	17.0	23.6	31.1	30.9
Thrift institutions							
Savings and loan associations	--	--	--	.4	1.8	2.0	1.0
Mutual savings banks	--	—.8	.7	—1.0	—.2	2.0	1.5
Total	--	—.8	.7	—.6	1.6	4.0	2.5
Investment companies	—.4	1.5	1.8	1.9	--	1.0	.3
Commercial banks	—.3	—.1	.6	--	1.9	3.0	1.0
Foreign investors	.7	1.8	5.2	6.6	10.5	4.2	3.0
Individuals and others	—.8	—1.7	9.9	—3.6	—16.4	—13.1	—13.2
Total	28.6	25.1	33.8	21.3	21.1	30.2	24.5
ADDENDUM							
Convertible bonds - offered for cash	.4	.9	4.7	4.3	2.9	5.9	4.5

*Net of sales to affiliated companies, private sales to foreigners, sales to employees and issues of Netherlands Antilles subsidiaries.

Sources: Securities and Exchange Commission and Federal Reserve, Flow of Funds Accounts.

CORPORATE STOCKS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Issued in the United States:							
Publicly offered							
Manufacturing	1.1	1.1	7.1	4.5	3.2	14.0	9.5
Petroleum and mining	1.6	2.0	3.4	6.6	6.2	6.5	6.0
Transportation	.2	.2	.5	.7	.7	2.6	2.0
Electric, gas and water	4.6	4.5	6.2	5.5	7.3	5.8	5.0
Communication	.1	.8	.5	1.8	2.2	2.0	1.3
Financial and real estate	1.5	1.3	3.0	5.7	6.2	12.0	10.0
Commercial and other	.4	.9	1.7	2.2	2.7	7.5	6.5
Total	9.5	10.8	22.5	26.9	28.5	50.4	40.3
Privately placed	1.3	1.7	.7	.5	.5	.8	1.0
Total issued	10.8	12.5	23.2	27.4	29.0	51.2	41.3
Less: Retirements and adjustments*	9.2	14.2	9.3	25.1	16.3	20.8	22.0
Net new issues	1.6	—1.7	13.9	2.3	12.7	30.4	19.3
Funds raised by:							
Financial intermediaries							
Commercial banks	1.1	1.3	.4	.5	.6	.7	1.0
Real estate investment trusts	.6	.9	.6	—.7	.7	.7	.8
Total**	1.7	2.2	1.0	—.2	1.3	3.6	1.8
Business corporations	—.1	—3.9	12.9	2.5	11.4	26.8	17.5
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	.7	.6	.8	3.4	4.0	4.8	5.2
Private noninsured pension funds	5.3	6.1	9.6	7.3	11.5	18.0	16.5
State and local retirement funds	2.6	4.1	5.3	8.3	7.7	10.5	12.7
Fire and casualty insurance companies	3.4	5.0	4.1	2.5	2.0	1.9	1.0
Total	12.0	15.9	19.8	21.4	25.2	35.2	35.4
Mutual savings banks	--	--	—.5	—.6	—.3	.3	.2
Investment companies	—1.6	—2.8	—1.8	—.6	3.5	14.3	8.2
Foreign investors	2.4	1.7	5.4	5.8	4.0	6.0	6.5
Individuals and others	—11.3	—16.4	—9.0	—23.8	—19.6	—25.4	—31.0
Total	1.6	—1.7	13.9	2.3	12.7	30.4	19.3

*Includes cash purchases in connection with mergers and acquisitions and is net of sales to affiliated companies, private sales to foreigners and sales to employees.
**1983 includes $2.2 billion of equities issued by savings and loan associations, not shown separately.

Sources: Securities and Exchange Commission and Federal Reserve, Flow of Funds Accounts.

STATE AND LOCAL GOVERNMENT OBLIGATIONS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Long-term debt							
New offerings:							
Industrial revenue	4.1	4.2	4.4	6.9	10.1	8.7	7.5
Housing	5.9	12.0	14.3	6.8	15.7	17.8	16.8
Other revenue	18.3	13.4	12.1	18.4	28.1	32.3	30.0
General obligations	17.9	12.7	16.3	14.0	23.3	22.4	23.0
Total	46.2	42.3	47.1	46.1	77.2	81.2	77.3
Less: Retirements, refundings and adjustments*	18.4	12.9	18.5	25.2	32.3	28.9	29.5
Net	27.8	29.4	28.6	20.9	44.9	52.3	47.8
Short-term debt							
New offerings	21.6	20.9	26.5	34.4	43.4	35.8	36.2
Less: Retirements and adjustments*	21.0	19.9	24.8	33.5	37.8	41.8	36.2
Net	.6	1.0	1.7	.9	5.6	—6.0	- -
Total	28.4	30.4	30.3	21.8	50.5	46.3	47.8
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	.4	- -	.3	.4	1.9	2.2	.5
State and local retirement funds	.4	- -	.2	- -	—.5	—.4	- -
Fire and casualty insurance companies	13.5	9.6	7.5	4.6	3.0	1.5	1.2
Total	14.2	9.7	8.0	5.0	4.3	3.3	1.7
Thrift institutions							
Savings and loan associations	.1	—.1	- -	.1	—.5	- -	- -
Mutual savings banks	.5	—.6	—.5	—.1	—.1	—.3	—.2
Total	.6	—.7	—.5	- -	—.6	—.3	—.2
Investment companies	3.1	4.0	6.6	8.4	24.0	24.3	24.8
Commercial banks	9.6	9.5	13.6	5.0	4.7	1.0	1.5
Business corporations	.2	- -	—.2	- -	.1	.3	.2
State and local general funds	—.7	—.5	.2	.2	1.0	- -	.5
Individuals and others	1.4	8.5	2.7	3.2	17.0	17.7	19.3
Total	28.4	30.4	30.3	21.8	50.5	46.3	47.8
ADDENDUM							
Structures	37.5	40.3	45.4	43.0	41.0	41.0	45.0

*Residual; includes adjustments for issues offered in the calendar year before issuance.

Sources: Federal Reserve, Flow of Funds Accounts, *The Daily Bond Buyer* and U.S. Department of Commerce, National Income Accounts.

TOTAL MORTGAGES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Residential mortgages							
Home	112.2	120.0	96.7	75.9	56.6	117.0	131.5
Multifamily	9.1	7.7	8.7	4.0	1.2	8.7	8.5
Total	121.3	127.7	105.4	79.9	57.8	125.7	140.0
Commercial mortgages	21.7	24.0	20.1	24.2	20.1	32.0	36.0
Farm mortgages	7.2	11.8	9.3	9.7	5.2	3.5	4.5
Total	150.2	163.5	134.9	113.9	83.0	161.2	180.5
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	9.7	13.4	13.4	6.8	4.8	6.8	11.5
Private noninsured pension funds	2.5	1.7	1.8	1.1	1.3	1.5	2.3
State and local retirement funds	1.7	1.3	1.3	2.3	3.9	4.1	4.5
Fire and casualty insurance companies	- -	.3	.3	.3	.3	.8	1.2
Total	13.9	16.6	16.8	10.5	10.3	13.2	19.5
Thrift institutions							
Savings and loan associations	56.1	48.8	35.7	22.7	2.7	75.5	81.0
Mutual savings banks	8.0	5.7	2.6	—.8	—1.8	6.2	8.0
Credit unions	2.1	.1	—.4	—.4	—.6	- -	.2
Total	66.1	54.6	37.9	21.4	.3	81.7	89.2
Other financial intermediaries							
Mortgage companies	2.6	—1.4	2.8	.2	2.1	1.5	2.0
Real estate investment trusts	—1.1	—1.0	—.7	—1.1	—.7	—.3	—.3
Total	1.5	—2.4	2.1	—.9	1.4	1.2	1.7
Commercial banks	36.6	32.2	18.3	21.9	16.4	32.7	33.5
Government							
U.S. Government	3.1	6.2	6.9	4.3	1.9	1.5	1.8
Federally sponsored agencies	12.2	14.4	14.1	12.6	13.8	6.8	9.9
State and local general funds	2.6	6.5	10.3	7.6	5.1	5.8	5.0
Total	17.9	27.1	31.3	24.5	20.9	14.1	16.7
Individuals and others	14.1	35.3	28.5	36.5	33.7	18.3	19.9
Total	150.2	163.5	134.9	113.9	83.0	161.2	180.5
ADDENDUM							
Growth in mortgage pools*							
Government National Mortgage Association	9.5	21.4	18.1	11.9	13.2	40.7	25.0
Farmers Home Administration	3.6	5.3	3.8	5.1	3.7	2.7	3.0
Federal Home Loan Mortgage Corporation	5.3	3.3	1.7	3.0	23.1	14.3	15.0
Federal National Mortgage Association	- -	- -	- -	.7	13.7	11.9	12.5
Total	18.3	30.0	23.6	20.7	53.7	69.6	55.5

*Growth in ownership of mortgage pools is part of the funds supplied by the investor groups.

HOME MORTGAGES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Total 1- to 4-family mortgages	112.2	120.0	96.7	75.9	56.6	117.0	131.5
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	- -	2.7	2.4	—.6	.1	—1.2	- -
Private noninsured pension funds	2.5	1.6	1.6	1.2	1.1	1.3	2.0
State and local retirement funds	.5	.7	.5	.4	.6	.6	.8
Total	3.0	5.0	4.5	1.0	1.8	.7	2.8
Thrift institutions							
Savings and loan associations	49.9	44.2	33.6	20.7	2.2	57.5	65.0
Mutual savings banks	6.9	4.7	3.4	.6	—.9	8.0	9.0
Credit unions	2.1	.1	—.4	—.4	—.6	- -	.2
Total	58.9	48.9	36.6	20.9	7	65.5	74.2
Other financial intermediaries							
Mortgage companies	3.1	—1.3	2.7	2.3	2.1	2.5	2.0
Real estate investment trusts	—.2	—.2	—.1	—.1	—.2	.2	.3
Total	2.9	—1.5	2.6	2.2	1.9	2.7	2.3
Commercial banks	25.6	21.6	11.4	10.1	6.6	19.3	20.5
Government							
U.S. Government	1.0	1.8	2.5	1.9	1.1	1.0	1.2
Federally sponsored agencies	9.0	9.2	7.6	5.0	10.3	5.8	7.9
State and local general funds	2.0	4.9	8.3	5.7	2.7	4.7	3.5
Total	12.0	15.9	18.5	12.7	14.2	11.5	12.6
Individuals and others	9.8	30.1	23.1	29.1	31.3	17.3	19.1
Total	112.2	120.0	96.7	75.9	56.6	117.0	131.5
ADDENDA							
Private residential construction put in place							
New housing units	75.8	78.6	63.1	62.7	51.9	85.2	96.5
Other	17.6	20.4	24.1	23.9	22.9	27.8	31.5
Total	93.4	99.0	87.3	86.6	74.8	113.0	128.0
	(in thousands of units)						
Private 1-family housing starts	1,433	1,194	852	705	663	1,085	1,065
Manufacturers' mobile home shipments	276	277	222	241	239	295	305

Sources: Federal Reserve, Federal Home Loan Bank Board, Bureau of the Census, U.S. Department of Commerce, Mobile Homes Manufacturers Association, U.S. Department of Housing and Urban Development and Government National Mortgage Association.

MULTIFAMILY, COMMERCIAL AND FARM MORTGAGES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Multifamily mortgages*	9.1	7.7	8.7	4.0	1.2	8.7	8.5
Commercial mortgages	21.7	24.0	20.1	24.2	20.1	32.0	36.0
Farm mortgages	7.2	11.8	9.3	9.7	5.2	3.5	4.5
Total	38.0	43.5	38.1	37.9	26.5	44.2	49.0
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	9.7	10.6	11.0	7.4	4.7	8.0	11.5
Private noninsured pension funds	- -	.1	.2	--.1	.2	.2	.3
State and local retirement funds	1.2	.6	.8	1 9	3.3	3.5	3.7
Fire and casualty insurance companies	- -	.3	.3	.3	.3	.8	1.2
Total	10.9	11.6	12.3	9.6	8.5	12.5	16.7
Thrift institutions							
Savings and loan associations	6.2	4.6	2.1	2.0	.5	18.0	16.0
Mutual savings banks	1.1	1.0	—.8	—1.4	—.9	—1.8	—1.0
Total	7.3	5.7	1.3	.6	—.4	16.2	15.0
Other financial intermediaries							
Mortgage companies	—.5	—.1	.1	—2.1	- -	—1.0	- -
Real estate investment trusts	—.9	—.8	—.6	—1.0	—.5	—.5	—.6
Total	—1.4	—.9	—.5	—3.1	—.5	—1.5	—.6
Commercial banks	11.0	10.6	6.9	11.8	9.8	13.4	13.0
Government							
U.S. Government	2.0	4.4	4.4	2.4	.8	.5	.6
Federally sponsored agencies	3.2	5.2	6.5	7.5	3.5	1.0	2.0
State and local general funds	.5	1.7	2.0	1.8	2.4	1.1	1.5
Total	5.8	11.4	12.8	11.7	6.7	2.6	4.1
Individuals and others	4.4	5.2	5.3	7.3	2.5	1.0	.8
Total	38.0	43.5	38.1	37.9	26.5	44.2	49.0
ADDENDA							
Private multifamily housing starts (in thousands of units)	587	551	440	379	400	635	635
Commercial construction put in place	18.6	24.9	29.9	34.2	37.3	36.0	37.0

*Comprises mortgages on residential structures of five or more units.

Sources: Federal Reserve, Bureau of the Census, U.S. Department of Commerce and U.S. Department of Housing and Urban Development.

OPEN MARKET PAPER

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Commercial paper	18.3	28.2	11.2	39.5	—4.9	20.5	22.2
Bankers' acceptances	8.2	11.6	9.4	14.5	10.3	—3.7	4.0
Total open market paper	26.5	39.8	20.6	54.0	5.5	16.8	26.2
Funds raised by:							
Financial intermediaries							
Commercial bank holding companies and other affiliates	6.6	4.5	5.6	7.0	1.4	3.4	3.0
Finance companies	6.4	11.7	.1	7.8	—5.3	6.3	8.3
Real estate investment trusts	.1	.1	—.2	- -	—.1	—.1	- -
Other*	1.5	1.6	—.6	6.1	2.0	3.5	.9
Total	14.6	18.0	4.8	20.9	—2.0	13.1	12.2
Nonfinancial sectors							
Business corporations	3.9	9.5	4.8	16.9	—4.0	- -	5.5
Noncorporate business	1.2	1.0	.8	2.2	.7	—1.1	.8
Foreigners	6.8	11.3	10.2	14.0	10.8	4.8	7.7
Total	11.9	21.8	15.8	33.1	7.5	3.7	14.0
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	1.1	1.3	1.9	6.6	3.2	6.0	5.8
Private noninsured pension funds	.8	1.0	1.3	.7	- -	.2	1.0
Fire and casualty insurance companies	- -	- -	2.1	1.2	1.0	- -	.5
Total	1.9	2.3	5.3	8.5	4.2	6.2	7.3
Thrift institutions							
Savings and loan associations	.5	.5	2.0	.5	1.8	.5	.5
Mutual savings banks	.2	1.1	1.5	1.5	1.6	.5	.7
Total	.7	1.6	3.5	2.0	3.4	1.0	1.2
Investment companies	3.7	15.5	13.1	38.7	—1.9	4.1	5.0
Commercial banks	—1.3	2.2	1.8	.8	.3	—.3	- -
Business corporations	3.0	3.9	.5	2.0	6.2	4.2	5.0
Foreign investors	7.9	6.9	4.4	.8	—.5	- -	3.0
Individuals and others	10.6	7.4	—8.0	1.2	—6.3	1.6	4.7
Total	26.5	39.8	20.6	54.0	5.5	16.8	26.2

*Includes captive retail finance companies, savings and loan associations and mortgage brokers.

Source: Federal Reserve Bank of New York.

CONSUMER CREDIT

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS RAISED							
Installment credit							
Automobile	18.7	14.7	.5	8.5	4.9	15.7	22.8
Revolving bank credit	6.0	5.5	—.1	3.1	3.8	6.0	7.0
Retailers' revolving credit	2.8	2.6	.8	1.4	.9	2.3	3.2
Mobile home	.3	1.6	.5	1.0	.6	1.5	1.8
All other	15.3	13.9	—.2	4.1	2.9	15.5	15.0
Total	43.1	38.4	1.4	18.2	13.1	41.0	49.8
Noninstallment credit*	5.7	7.1	3.5	5.8	5.2	8.0	9.2
Total consumer credit	48.8	45.5	4.9	24.0	18.3	49.0	59.0
FUNDS SUPPLIED							
Thrift institutions							
Savings and loan associations	.3	3.7	2.6	—.2	3.0	6.1	6.3
Mutual savings banks	.7	.1	.4	- -	.7	.8	.9
Credit unions	6.7	2.2	—2.5	1.9	1.3	6.3	7.0
Total	7.7	6.0	.5	1.7	5.0	13.2	14.2
Finance companies - installment	9.4	14.0	8.4	13.1	4.5	4.5	10.0
Commercial banks							
Installment	23.6	18.2	—7.2	.6	4.4	22.3	24.4
Noninstallment	2.6	1.7	1.0	3.4	1.9	2.0	2.4
Total	26.2	19.9	—6.2	4.0	6.3	24.3	26.8
Business corporations							
Installment	2.8	2.7	1.2	.9	.3	2.5	3.2
Noninstallment	1.2	1.1	.5	1.8	.5	.8	1.0
Total	4.0	3.8	1.7	2.7	.8	3.3	4.2
Noncorporate business							
Installment	- -	- -	—.1	.1	- -	.2	.2
Noninstallment	1.4	1.8	.6	2.6	1.7	3.5	3.6
Total	1.4	1.8	.5	2.6	1.7	3.7	3.8
Total	48.8	45.5	4.9	24.0	18.3	49.0	59.0
ADDENDUM							
Automobile sales - including imports (in millions of units)	11.2	10.6	9.0	8.5	8.0	9.2	10.6

*Comprises single-payment loans to individuals, charge accounts and service credit.

Sources: Federal Reserve and U.S. Department of Commerce.

SOURCES AND USES OF FUNDS — LIFE INSURANCE COMPANIES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
SOURCES OF FUNDS							
Income							
Premium receipts	78.8	84.9	92.6	103.6	118.1	132.5	147.5
Net investment income	25.3	29.6	33.9	39.8	45.5	51.0	55.5
Other income	4.2	4.7	4.3	3.7	2.5	2.8	2.7
Total	108.2	119.1	130.9	147.2	166.1	186.3	205.7
Outgo							
Benefit payments	48.8	54.5	62.7	69.6	75.5	83.8	91.5
Operating expenses, taxes and other	22.6	25.7	27.4	27.5	32.4	35.5	39.7
Total	71.4	80.2	90.0	97.1	107.9	119.3	131.2
Increase in admitted assets*	36.8	38.9	40.8	50.0	58.2	67.0	74.5
USES OF FUNDS							
Investment							
Corporate bonds	15.9	11.3	8.1	6.3	14.5	20.0	22.0
Corporate stocks	.7	.6	.8	3.4	4.0	4.8	5.2
State and local securities	.4	--	.3	.4	1.9	2.2	.5
Foreign securities	1.8	.6	1.0	1.8	2.7	2.2	2.5
Total securities	18.7	12.5	10.1	12.0	23.1	29.2	30.2
Home mortgages	--	2.7	2.4	—.6	.1	—1.2	--
Multifamily, commercial and farm mortgages	9.7	10.6	11.0	7.4	4.7	8.0	11.5
Total mortgages	9.7	13.4	13.4	6.8	4.8	6.8	11.5
Total	28.4	25.9	23.5	18.8	27.9	36.0	41.7
Short-term							
Open market paper	1.1	1.3	1.9	6.6	3.2	6.0	5.8
Policy loans	2.6	4.7	6.6	7.3	4.3	1.5	2.0
Total	3.7	6.0	8.5	13.9	7.5	7.5	7.8
U.S. Government and agency securities							
U.S. Government securities	—.5	.1	1.0	2.3	8.4	8.5	9.2
Federal agency securities	2.2	1.7	1.0	3.0	3.7	3.5	3.8
Total	1.7	1.8	2.0	5.4	12.1	12.0	13.0
Total funds	33.7	33.6	33.9	38.0	47.5	55.5	62.5
Real estate	.7	1.2	2.0	3.2	2.3	2.5	3.0
Cash	.2	.3	.5	1.1	.3	.2	.5
Other - net	2.1	3.7	4.3	7.7	8.0	8.8	8.5
Total	36.8	38.9	40.8	50.0	58.2	67.0	74.5

*Net of appreciation or depreciation in market value.

Sources: American Council of Life Insurance, Federal Home Loan Bank Board and Government National Mortgage Association.

SOURCES AND USES OF FUNDS — PRIVATE NONINSURED PENSION FUNDS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
SOURCES OF FUNDS							
Employer contributions	30.5	34.0	38.0	41.5	45.2	49.2	53.5
Employee contributions	1.9	2.0	2.1	2.2	2.3	2.4	2.5
Investment income*	7.6	8.0	8.4	9.3	10.5	11.6	12.8
Total receipts	40.0	44.0	48.5	53.0	58.0	63.2	68.8
Benefit payments	18.2	20.0	22.5	25.0	27.8	30.8	34.0
Net receipts	21.8	24.0	26.0	28.0	30.2	32.4	34.8
USES OF FUNDS							
Investment							
Corporate bonds	7.4	4.7	3.1	2.9	3.5	3.6	3.0
Corporate stocks	5.3	6.1	9.6	7.3	11.5	18.0	16.5
Total securities	12.8	10.9	12.7	10.2	15.0	21.6	19.5
Home mortgages	2.5	1.6	1.6	1.2	1.1	1.3	2.0
Multifamily, commercial and farm mortgages	- -	.1	.2	—.1	.2	.2	.3
Total mortgages	2.5	1.7	1.8	1.1	1.3	1.5	2.3
Total	15.3	12.6	14.5	11.3	16.3	23.1	21.8
Open market paper	.8	1.0	1.3	.7	- -	.2	1.0
U.S. Government and agency securities							
U.S. Government securities	—.1	1.4	4.1	7.6	8.2	7.6	8.5
Federal agency securities	- -	1.0	.4	1.5	2.0	.8	1.0
Total	—.1	2.4	4.5	9.1	10.2	8.4	9.5
Total funds	16.0	16.0	20.3	21.1	26.5	31.7	32.3
Cash	4.4	.5	.7	1.0	—2.7	—3.5	- -
Other - net	1.4	7.5	5.0	5.9	6.4	4.2	2.5
Total	21.8	24.0	26.0	28.0	30.2	32.4	34.8

*Includes minor amounts of other income.

Sources: U.S. Department of Housing and Urban Development, Government National Mortgage Association, Securities and Exchange Commission, Bankers Trust Company and Federal Reserve, Flow of Funds Accounts.

SOURCES AND USES OF FUNDS — STATE AND LOCAL GOVERNMENTS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
Retirement Funds							
SOURCES OF FUNDS							
Government contributions	15.0	16.8	19.1	20.9	22.7	23.8	25.0
Employee contributions	6.3	6.7	7.1	7.8	8.4	9.0	10.0
Investment income	10.2	12.7	15.7	19.2	21.1	24.2	27.0
Total receipts	31.5	36.3	41.9	47.9	52.2	57.0	62.0
Benefit payments	12.0	13.3	15.1	17.1	19.0	20.7	22.0
Net receipts	19.5	23.0	26.9	30.8	33.2	36.3	40.0
USES OF FUNDS							
Investment							
Corporate bonds	4.7	6.9	6.3	6.0	3.2	3.8	3.2
Corporate stocks	2.6	4.1	5.3	8.3	7.7	10.5	12.7
State and local securities	.4	- -	.2	- -	—.5	—.4	- -
Total securities	7.7	11.0	11.8	14.3	10.4	13.9	15.9
Home mortgages	.5	.7	.5	.4	.6	.6	.8
Multifamily and commercial mortgages	1.2	.6	.8	1.9	3.3	3.5	3.7
Total mortgages	1.7	1.3	1.3	2.3	3.9	4.1	4.5
Total	9.4	12.3	13.1	16.6	14.3	18.0	20.4
U.S. Government and agency securities							
U.S. Government securities	3.7	4.8	6.9	6.1	8.3	9.5	11.0
Federal agency securities	1.2	2.3	3.4	1.6	4.2	4.0	4.5
Total	4.9	7.1	10.3	7.7	12.5	13.5	15.5
Total funds	14.3	19.4	23.4	24.3	26.8	31.5	35.9
Cash	.9	1.3	.6	.3	.9	1.0	1.2
Other	2.5	2.8	.8	1.8	3.7	3.8	2.9
Total	17.7	23.5	24.8	26.4	31.4	36.3	40.0
Discrepancy - sources less uses	1.8	—.5	2.1	4.4	1.8	- -	- -
General Funds							
USES OF FUNDS							
Investment							
State and local securities	—.7	—.5	.2	.2	1.0	- -	.5
Home mortgages	2.0	4.9	8.3	5.7	2.7	4.7	3.5
Multifamily, commercial and farm mortgages	.5	1.7	2.0	1.8	2.4	1.1	1.5
Total mortgages	2.6	6.5	10.3	7.6	5.1	5.8	5.0
Total	1.9	6.0	10.5	7.8	6.1	5.8	5.5
U.S. Government and agency securities							
U.S. Government securities*	7.5	2.0	3.7	1.2	19.3	23.5	20.0
Federal agency securities	2.1	.1	.3	.8	—.5	.8	1.0
Total	9.6	2.1	4.0	2.0	18.8	24.3	21.0
Total funds	11.5	8.1	14.5	9.8	24.9	30.1	26.5

*Does not include securities held under repurchase agreements.

Sources: U.S. Department of Commerce, National Income Accounts; Federal Reserve, Flow of Funds Accounts; Bureau of the Census, *Governmental Finance*; U.S. Treasury Department, *Treasury Bulletin*; U.S. Department of Housing and Urban Development, *The Supply of Mortgage Credit*.

SOURCES AND USES OF FUNDS — FIRE AND CASUALTY COMPANIES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
SOURCES OF FUNDS							
Unearned premium reserves	2.9	3.0	2.1	1.8	1.8	2.1	2.2
Loss reserves	12.4	12.6	11.2	9.5	9.4	7.4	9.6
Policyholders' surplus*	5.7	5.0	5.4	5.4	3.7	4.6	1.0
Total	21.0	20.6	18.7	16.7	14.9	14.1	12.8
USES OF FUNDS							
Investment							
Corporate bonds	1.4	1.4	—1.9	1.8	2.4	3.7	2.7
Corporate stocks	3.4	5.0	4.1	2.5	2.0	1.9	1.0
State and local securities	13.5	9.6	7.5	4.6	3.0	1.5	1.2
Total securities	18.3	16.1	9.7	8.8	7.4	7.1	4.9
Commercial mortgages	- -	.3	.3	.3	.3	.8	1.2
Total	18.3	16.3	10.1	9.2	7.7	7.9	6.1
Open market paper	- -	- -	2.1	1.2	1.0	- -	.5
U.S. Government and agency securities							
U.S. Government securities	.9	1.2	1.9	2.3	2.2	1.8	2.3
Federal agency securities	- -	- -	.4	- -	.1	.2	- -
Total	.9	1.2	2.3	2.3	2.3	2.0	2.3
Total funds	19.2	17.5	14.5	12.7	11.0	9.9	8.9
Cash	.4	.2	.1	.2	—.1	.2	.1
Other - net	1.4	2.9	4.2	3.8	4.0	4.0	3.8
Total	21.0	20.6	18.7	16.7	14.9	14.1	12.8

*Net of appreciation or depreciation in market value.

Sources: Alfred M. Best Company, Inc., *Best's Fire and Casualty Aggregates and Averages*, annual editions, and U.S. Treasury Department.

SOURCES AND USES OF FUNDS — SAVINGS AND LOAN ASSOCIATIONS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
SOURCES OF FUNDS							
Savings capital	44.9	39.3	42.1	14.3	38.0	108.2	87.5
Repurchase agreements	2.1	.5	2.1	7.6	7.3	1.0	1.5
Net worth*	3.9	3.6	.7	—4.9	—2.3	7.4	2.8
Federal home loan bank advances	12.0	8.5	6.6	15.7	1.1	—10.2	3.5
Bonds	.7	1.4	.4	—.5	.1	.3	.2
Bank loans	—.5	.4	—.4	—.1	—.3	- -	- -
Total	63.1	53.7	51.4	32.2	43.8	106.7	95.5
USES OF FUNDS							
Investment							
Corporate bonds	- -	- -	- -	.4	1.8	2.0	1.0
State and local securities	.1	—.1	- -	.1	—.5	- -	- -
Total securities	.1	—.1	- -	.5	1.3	2.0	1.0
Home mortgages	49.9	44.2	33.6	20.7	2.2	57.5	65.0
Multifamily, commercial and farm mortgages	6.2	4.6	2.1	2.0	.5	18.0	16.0
Total mortgages	56.1	48.8	35.7	22.7	2.7	75.5	81.0
Total	56.2	48.7	35.7	23.2	4.0	77.5	82.0
Short-term							
Open market paper	.5	.5	2.0	.5	1.8	.5	.5
Consumer credit	.3	3.7	2.6	—.2	3.0	6.1	6.3
Total	.8	4.2	4.6	.3	4.8	6.6	6.8
U.S. Government and agency securities							
U.S. Government securities	—1.7	—1.5	.8	—.1	6.6	12.5	1.2
Federal agency securities	1.4	.1	1.0	.7	- -	.5	.7
Total	—.3	—1.4	1.8	.6	6.6	13.0	1.9
Total funds	56.7	51.5	42.1	24.1	15.4	97.1	90.7
Cash and equivalents**	5.4	2.5	7.8	3.7	11.2	4.4	1.5
Other - net	1.0	—.3	1.6	4.4	17.2	5.2	3.3
Total	63.1	53.7	51.4	32.2	43.8	106.7	95.5

*1983 includes funds raised through the issuance of $2.2 billion of common shares in connection with conversion activity.
**Includes CDs, Federal funds, securities purchased on resale agreements and other short-term paper.

Sources: Federal Home Loan Bank Board, Federal Reserve, Flow of Funds Accounts and Government National Mortgage Association.

SOURCES AND USES OF FUNDS — MUTUAL SAVINGS BANKS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
SOURCES OF FUNDS							
Deposits	7.9	3.0	7.0	.8	4.8	14.0	11.2
Capital	.9	.8	—.2	—1.4	—.5	.7	.8
Total	8.8	3.8	6.8	—.6	4.3	14.7	12.0
USES OF FUNDS							
Investment							
Corporate bonds	- -	—.8	.7	—1.0	—.2	2.0	1.5
Corporate stocks	- -	- -	—.5	—.6	—.3	.3	.2
State and local securities	.5	—.6	—.5	—.1	—.1	—.3	—.2
Total securities	.6	—1.5	—.4	—1.7	—.7	2.0	1.5
Home mortgages	6.9	4.7	3.4	.6	—.9	8.0	9.0
Multifamily, commercial and farm mortgages	1.1	1.0	—.8	—1.4	—.9	—1.8	—1.0
Total mortgages	8.0	5.7	2.6	—.8	—1.8	6.2	8.0
Total	8.5	4.2	2.1	—2.5	—2.4	8.2	9.5
Short-term							
Open market paper	.2	1.1	1.5	1.5	1.6	.5	.7
Consumer credit	.7	.1	.4	- -	.7	.8	.9
Total	.9	1.2	1.9	1.5	2.3	1.3	1.6
U.S. Government and agency securities							
U.S. Government securities*	—1.0	—.3	.7	—.2	.7	5.0	.5
Federal agency securities	- -	—.4	.6	1.0	—.5	1.3	.5
Total	—1.0	—.6	1.3	.8	.2	6.3	1.0
Total funds	8.4	4.7	5.3	—.2	- -	15.8	12.1
Cash	1.3	—.5	1.2	1.1	1.5	—1.1	.6
Other - net	—.9	—.4	.3	—1.5	2.8	- -	—.7
Total	8.8	3.8	6.8	—.6	4.3	14.7	12.0

*Does not include securities held under repurchase agreements.

Sources: National Association of Mutual Savings Banks, Federal Reserve, Flow of Funds Accounts and Government National Mortgage Association.

SOURCES AND USES OF FUNDS — CREDIT UNIONS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
SOURCES OF FUNDS							
Share capital and deposits	7.0	3.6	5.7	1.9	10.6	13.2	10.2
Surplus and reserves	.6	.4	.2	.8	.2	.5	.6
Total	7.6	4.0	5.9	2.7	10.8	13.7	10.8
USES OF FUNDS							
Home mortgages	2.1	.1	—.4	—.4	—.6	- -	.2
Consumer credit	6.7	2.2	—2.5	1.9	1.3	6.3	7.0
U.S. Government and agency securities							
U.S. Government securities	—.5	.7	1.8	—.1	1.9	2.0	1.2
Federal agency securities	- -	—.6	- -	—.3	1.2	.9	.8
Total	—.5	.1	1.8	—.4	3.1	2.9	2.0
Total funds	8.3	2.4	—1.1	1.1	3.8	9.2	9.2
Other - net*	—.7	1.6	7.0	1.6	7.0	4.5	1.6
Total	7.6	4.0	5.9	2.7	10.8	13.7	10.8

*Includes certificates of deposit.

Sources: National Credit Union Administration, U.S. Department of Health, Education and Welfare, Federal Reserve and Government National Mortgage Association.

SOURCES AND USES OF FUNDS — INVESTMENT COMPANIES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
SOURCES OF FUNDS							
Unit investment trusts - units issued	3.0	3.4	4.9	5.7	14.1	14.6	15.3
Money market funds* - net assets	7.0	34.6	30.7	109.7	31.9	—37.0	10.0
Conventional mutual funds							
Sales of capital shares	6.7	6.8	10.0	9.7	15.7	40.2	32.5
Less: Redemptions	7.2	8.0	8.2	7.5	7.6	14.3	15.5
Net sales of capital shares	—.5	—1.2	1.8	2.2	8.2	25.9	17.0
Total	9.5	36.9	37.3	117.7	54.2	3.5	42.3
USES OF FUNDS							
Investment							
Corporate bonds	—.4	1.5	1.8	1.9	- -	1.0	.3
Corporate stocks	—1.6	—2.8	—1.8	—.6	3.5	14.3	8.2
State and local securities	3.1	4.0	6.6	8.4	24.0	24.3	24.8
Total	1.1	2.7	6.6	9.7	27.5	39.6	33.3
Open market paper	3.7	15.5	13.1	38.7	—1.9	4.1	5.0
U.S. Government and agency securities							
U.S. Government securities	.4	2.6	.7	18.9	23.4	—17.2	2.5
Federal agency securities	- -	1.6	2.2	5.6	1.6	—1.9	.5
Total	.4	4.2	2.9	24.6	25.0	—19.1	3.0
Total funds	5.2	22.4	22.5	73.0	50.6	24.6	41.3
Certificates of deposit	3.5	12.8	9.7	34.9	1.8	—19.7	1.0
Other - net	.8	1.7	5.1	9.7	1.7	—1.4	- -
Total	9.5	36.9	37.3	117.7	54.2	3.5	42.3

*Includes limited maturity tax-exempt funds.

Sources: Investment Company Institute and Federal Reserve, Flow of Funds Accounts.

SOURCES AND USES OF FUNDS — OTHER FINANCIAL INTERMEDIARIES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
Finance Companies							
SOURCES OF FUNDS							
Cash flow							
Retained profits	3.3	4.1	.5	3.4	1.4	3.8	4.2
Reserves	2.0	3.9	3.0	5.6	1.6	1.6	1.8
Total	5.3	8.0	3.5	9.0	3.0	5.4	6.0
Corporate bonds	2.5	2.5	1.1	1.6	3.4	2.8	3.0
Short-term							
Open market paper	6.4	11.7	.1	7.8	—5.3	6.3	8.3
Bank loans	1.1	1.9	1.0	.6	- -	—1.1	1.0
Total	7.5	13.6	1.1	8.4	—5.3	5.2	9.3
Total	15.3	24.1	5.7	19.0	1.1	13.4	18.3
USES OF FUNDS							
Consumer credit	9.4	14.0	8.4	13.1	4.5	4.5	10.0
Loans to business							
Retail auto	2.2	.4	—3.1	—1.4	1.2	3.8	2.0
Wholesale auto	.8	1.0	—1.6	.9	—1.0	- -	.5
Retail paper	2.3	2.1	4.6	4.5	.2	2.0	2.8
All other	6.2	6.5	3.5	5.5	—.4	3.8	4.7
Total	11.5	10.1	3.4	9.5	—.1	9.6	10.0
Total funds	20.9	24.1	11.8	22.6	4.4	14.1	20.0
Other - net	—5.6	- -	—6.1	—3.6	—3.3	—.7	—1.7
Total	15.3	24.1	5.7	19.0	1.1	13.4	18.3
Real Estate Investment Trusts							
SOURCES OF FUNDS							
Long-term							
Corporate bonds	—.2	- -	—.2	—.7	- -	- -	- -
Corporate stocks	.6	.9	.6	—.7	.7	.7	.8
Mortgages	.1	- -	—.1	—.5	.1	.1	.1
Total	.5	.9	.3	—1.9	.8	.8	.9
Short-term							
Open market paper	.1	.1	—.2	- -	—.1	—.1	- -
Bank loans	—1.4	—1.4	—1.7	1.5	.1	.1	.1
Total	—1.3	—1.3	—1.9	1.5	- -	- -	.1
Total	—.8	—.4	—1.6	—.4	.8	.8	1.0
USES OF FUNDS							
Mortgages							
Home mortgages	—.2	—.2	—.1	—.1	—.2	.2	.3
Multifamily, commercial and farm mortgages	—.9	—.8	—.6	—1.0	—.5	—.5	—.6
Total	—1.1	—1.0	—.7	—1.1	—.7	—.3	—.3
Other - net	.3	.6	—.9	.7	1.5	1.1	1.3
Total	—.8	—.4	—1.6	—.4	.8	.8	1.0

Source: Federal Reserve, Flow of Funds Accounts.

SOURCES OF FUNDS — COMMERCIAL BANKS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
Internal sources							
Retained profits	6.7	7.9	7.6	7.5	9.3	8.8	9.5
Valuation reserves	1.0	1.3	1.0	1.5	2.2	1.8	2.0
Total	7.7	9.2	8.6	9.0	11.5	10.6	11.5
Net new security issues							
Bonds	1.1	2.4	2.3	1.8	4.5	6.4	4.7
Stocks	1.1	1.3	.4	.5	.6	.7	1.0
Total	2.2	3.7	2.7	2.3	5.1	7.1	5.7
Deposits - net							
Checkable, excluding U.S. Government	18.5	26.1	7.5	9.8	13.1	20.2	15.8
U.S. Government - demand*	6.8	.4	−2.6	−1.1	6.1	−5.8	- -
Large time	48.6	13.8	47.2	51.5	−8.8	−33.2	20.0
Other time and savings	13.3	29.3	45.0	40.3	97.0	125.3	70.5
Total	87.2	69.6	97.1	100.5	107.4	106.5	106.3
Other sources							
Federal funds and RPs	20.0	15.6	18.3	14.4	12.0	9.2	16.5
Open market paper	6.6	4.5	5.6	7.0	1.4	3.4	3.0
Other liabilities**	20.4	32.0	−23.6	1.2	−17.4	3.7	13.5
Total	47.0	52.1	.3	22.6	−4.0	16.3	33.0
Total	144.1	134.6	108.7	134.4	120.0	140.5	156.5

*Includes Treasury tax and loan notes.
**Eurodollar borrowings, changes in miscellaneous liabilities after adjustments, changes in interbank claims and borrowing at the Federal Reserve.

Sources: Federal Reserve, Flow of Funds Accounts, Federal Deposit Insurance Corporation and Bankers Trust Company.

Note: Bonds and open market paper include liabilities of bank holding companies.

USES OF FUNDS — COMMERCIAL BANKS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
Investment							
Corporate bonds	—.3	—.1	.6	- -	1.9	3.0	1.0
State and local securities	9.6	9.5	13.6	5.0	4.7	1.0	1.5
Total securities	9.3	9.4	14.2	5.0	6.6	4.0	2.5
Home mortgages	25.6	21.6	11.4	10.1	6.6	19.3	20.5
Multifamily, commercial and farm mortgages	11.0	10.6	6.9	11.8	9.8	13.4	13.0
Total mortgages	36.6	32.2	18.3	21.9	16.4	32.7	33.5
Term loans to business corporations	15.7	17.7	12.5	17.5	19.5	—2.5	10.5
Total	61.6	59.3	45.0	44.4	42.5	34.2	46.5
Short-term							
Business loans:							
Business corporations	14.9	28.2	16.6	25.4	22.0	17.2	23.5
Noncorporate business, including farm	2.8	3.4	3.9	7.6	10.5	6.2	6.5
Foreigners	7.4	4.2	2.3	7.3	—6.8	3.5	4.0
Total business loans	25.1	35.8	22.8	40.3	25.7	26.9	34.0
Financial loans:							
Finance companies	1.1	1.9	1.0	.6	- -	—1.1	1.0
Real estate investment trusts	—1.4	—1.4	—1.7	1.5	.1	.1	.1
Savings and loan associations	—.5	.4	—.4	—.1	—.3	- -	- -
Loans on securities	—2.9	—.9	.8	5.3	- -	2.2	1.0
Other	3.6	—1.3	.7	.2	3.4	—.5	- -
Total financial loans	—.1	—1.3	.4	7.5	3.2	.7	2.1
Other:							
Open market paper	—1.3	2.2	1.8	.8	.3	—.3	- -
Consumer credit	26.2	19.9	—6.2	4.0	6.3	24.3	26.8
Other loans	15.7	- -	12.9	.5	3.1	.8	1.6
Total other	40.6	22.1	8.5	5.3	9.7	24.8	28.4
Total	65.6	36.6	31.7	53.1	38.6	52.4	64.5
U.S. Government and agency securities							
U.S. Government securities	—6.5	.4	15.9	1.9	20.4	51.0	35.0
Federal agency securities	5.5	6.0	9.2	9.4	7.0	2.4	2.0
Total	—1.0	6.3	25.1	11.3	27.4	53.4	37.0
Total funds	126.2	122.2	101.8	108.8	108.5	140.0	148.0
Other financial assets							
Vault cash and member bank reserves	5.9	1.6	—1.0	—3.4	2.2	—8.5	- -
Other	12.1	10.8	7.9	29.0	9.2	9.0	8.5
Total	17.9	12.4	6.9	25.6	11.5	.5	8.5
Total	144.1	134.6	108.7	134.4	120.0	140.5	156.5

Sources: Federal Reserve, Flow of Funds Accounts, Federal Trade Commission and Government National Mortgage Association.

Note: Includes banks chartered in the United States and their domestic affiliates, Edge Act corporations, and agencies and branches of foreign banks.

SOURCES OF FUNDS — BUSINESS CORPORATIONS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
Cash flow							
Undistributed profits*	82.5	97.9	78.9	73.4	40.8	44.0	62.0
Capital consumption allowances**	117.1	134.0	153.5	180.9	208.1	246.0	275.0
Total	199.6	231.9	232.4	254.3	248.9	290.0	337.0
Long-term funds							
Net new bond issues	21.1	17.3	26.7	22.1	18.8	16.2	14.6
Net new stock issues	—.1	—3.9	12.9	2.5	11.4	26.8	17.5
Total net new issues	21.0	13.4	39.6	24.6	30.2	43.0	32.1
Mortgages	4.2	1.4	2.0	—1.5	—.2	2.0	2.5
Industrial revenue bonds	4.1	4.2	4.4	6.9	10.1	8.7	7.5
Term bank loans	15.7	17.7	12.5	17.5	19.5	—2.5	10.5
Total	44.9	36.7	58.5	47.5	59.6	51.2	52.6
Short-term funds							
Open market paper	3.9	9.5	4.8	16.9	—4.0	- -	5.5
Short-term bank loans	14.9	28.2	16.6	25.4	22.0	17.2	23.5
Finance company loans	11.5	10.2	3.1	8.7	—.1	9.6	10.0
Total	30.3	47.9	24.5	51.0	17.9	26.8	39.0
Other sources							
Unpaid taxes	4.3	2.5	—1.7	—6.8	—16.2	2.5	- -
Direct foreign investment in U.S.	7.9	11.9	13.7	22.0	10.4	8.5	10.0
U.S. Government loans	1.7	1.2	1.5	1.2	1.8	.8	1.2
Total	13.9	15.6	13.5	16.4	—4.0	11.8	11.2
Total sources	288.7	332.1	328.9	369.2	322.4	379.8	439.8
ADDENDA							
Bank loans							
Term	15.7	17.7	12.5	17.5	19.5	—2.5	10.5
Short-term	14.9	28.2	16.6	25.4	22.0	17.2	23.5
Total	30.6	45.9	29.1	42.9	41.5	14.7	34.0
Corporate profits							
Profits before taxes	229.1	252.7	234.6	227.0	174.2	210.0	261.8
Tax liability	83.2	87.6	84.8	82.8	59.2	78.2	98.3
Profits after taxes	145.9	165.1	149.8	144.1	115.1	131.8	163.5
Cash dividends	47.0	52.7	58.6	64.7	68.7	73.2	85.5
Undistributed profits	98.9	112.4	91.2	79.5	46.4	58.6	78.0
Nonfinancial corporations	82.5	97.9	78.9	73.4	40.8	44.0	62.0
Financial corporations	16.4	14.5	12.3	6.1	5.6	14.6	16.0

*Includes foreign branch profits.
**Before capital consumption adjustment.

Sources: Federal Reserve, Flow of Funds Accounts and U.S. Department of Commerce, National Income Accounts.

USES OF FUNDS — BUSINESS CORPORATIONS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
Short-term							
Open market paper	3.0	3.9	.5	2.0	6.2	4.2	5.0
Consumer credit	4.0	3.8	1.7	2.7	.8	3.3	4.2
Net trade credit	6.9	17.1	8.3	- -	—4.6	5.5	11.5
Total	13.9	24.8	10.5	4.7	2.4	13.0	20.7
U.S. Government and agency securities							
U.S. Government securities*	—5.2	1.4	—3.7	—1.4	7.3	13.5	7.8
Federal agency securities	.7	—1.3	.5	- -	.1	- -	- -
Total	—4.5	.1	—3.2	—1.4	7.4	13.5	7.8
State and local securities	.2	- -	—.2	- -	.1	.3	.2
Total funds	9.6	24.9	7.1	3.3	9.9	26.8	28.7
Physical investment							
Plant and equipment	173.7	203.9	217.8	246.2	241.8	239.5	274.5
Inventories - book value	47.5	52.1	39.7	33.3	—12.9	12.5	45.0
Mineral rights	2.0	4.7	5.0	4.8	7.8	9.0	8.8
Residential structures	2.4	1.8	1.5	.8	2.8	4.8	3.5
Total	225.6	262.5	264.0	285.1	239.5	265.8	331.8
Cash assets	5.6	12.5	13.5	14.8	2.8	15.5	5.5
Other assets							
Investment abroad**	15.7	26.6	21.9	13.2	6.5	2.5	6.0
Miscellaneous assets***	14.3	11.1	17.0	8.8	12.0	14.5	15.5
Total	30.0	37.7	38.9	22.0	18.5	17.0	21.5
Total uses	270.8	337.6	323.5	325.2	270.7	325.1	387.5
Discrepancy - sources less uses	17.9	—5.5	5.4	44.0	51.7	54.7	52.3
ADDENDUM							
Growth of liquid assets	9.8	19.1	17.2	15.4	20.2	38.0	22.0

*Does not include securities held under repurchase agreements.
**Net of bond issues abroad.
***Includes securities held under repurchase agreements.

Source: Federal Reserve, Flow of Funds Accounts.

FUNDS SUPPLIED — U.S. GOVERNMENT AGENCIES

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
U.S. Government and Budget Agencies							
Mortgages							
Home mortgages	1.0	1.8	2.5	1.9	1.1	1.0	1.2
Multifamily and farm mortgages	2.0	4.4	4.4	2.4	.8	.5	.6
Total	3.1	6.2	6.9	4.3	1.9	1.5	1.8
Other loans of the Federal Financing Bank*	9.1	10.8	16.3	18.1	12.0	7.3	8.4
Total	12.2	17.0	23.2	22.4	13.9	8.8	10.2
Federally Sponsored Agencies							
Investment							
Home mortgages	9.0	9.2	7.6	5.0	10.3	5.8	7.9
Multifamily and farm mortgages	3.2	5.2	6.5	7.5	3.5	1.0	2.0
Total mortgages	12.2	14.4	14.1	12.6	13.8	6.8	9.9
Term loans by banks for cooperatives	.4	.6	.5	.6	.2	—.2	- -
Total	12.6	15.0	14.6	13.2	14.0	6.6	9.9
Short-term							
Loans by banks for cooperatives	.1	1.4	.9	—1.0	—.9	1.0	1.2
Loans by Federal intermediate credit banks	1.5	3.3	1.9	1.8	—.8	—1.5	1.0
Total	1.6	4.7	2.8	.8	—1.7	—.5	2.2
U.S. Government securities**	—.4	.1	.6	- -	.4	1.0	.5
Total funds	13.8	19.8	18.0	14.0	12.7	7.1	12.6
FHLB advances to savings and loan associations	12.0	8.5	6.6	15.7	1.1	—10.2	3.5
Total	25.9	28.2	24.6	29.8	13.8	—3.1	16.1

*Other than mortgage funds.
**Does not include securities held under repurchase agreements.

Sources: Federal Home Loan Bank Board, U.S. Treasury, *Treasury Bulletin* and Farm Credit Administration, *Annual Report.*

FOREIGN ACTIVITY IN THE U.S. CREDIT AND CAPITAL MARKETS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
SOURCES OF FUNDS							
Net sales of securities							
Foreign bonds	4.2	4.0	1.0	5.5	6.6	2.8	3.0
Foreign stocks	—.5	.8	2.1	.2	1.3	4.5	4.8
Total	3.7	4.8	3.1	5.7	8.0	7.3	7.8
Loans from commercial banks							
To business	7.4	4.2	2.3	7.3	—6.8	3.5	4.0
To banks	9.5	—4.1	4.7	—4.5	.7	1.4	1.2
To official institutions	2.1	2.1	4.5	.8	- -	1.6	1.5
Total	19.1	2.3	11.5	3.7	—6.2	6.5	6.7
Open market paper	6.8	11.3	10.2	14.0	10.8	4.8	7.7
Total	29.6	18.4	24.8	23.4	12.5	18.6	22.2
USES OF FUNDS							
Investment							
Corporate bonds	.7	1.8	5.2	6.6	10.5	4.2	3.0
Corporate stocks	2.4	1.7	5.4	5.8	4.0	6.0	6.5
Total	3.1	3.5	10.7	12.4	14.5	10.2	9.5
Open market paper	7.9	6.9	4.4	.8	—.5	- -	3.0
U.S. Government and agency securities							
U.S. Government securities	28.2	—14.1	10.6	7.1	8.0	12.5	25.0
Federal agency securities	1.3	.5	2.6	1.6	—.5	—.8	.5
Total	29.5	—13.6	13.2	8.7	7.5	11.7	25.5
Total funds	40.4	—3.1	28.2	21.9	21.5	21.9	38.0

Sources: U.S. Treasury Department, *Treasury Bulletin*; U.S. Department of Commerce, U.S. Balance of Payments and Federal Reserve, Flow of Funds Accounts.

INDIVIDUALS AND OTHERS

(in billions of dollars)

	1978	1979	1980	1981	1982	1983 (est.)	1984 (proj.)
FUNDS SUPPLIED							
Investment							
Corporate bonds	—.8	—1.7	9.9	—3.6	—16.4	—13.1	—13.2
Corporate stocks	—11.3	—16.4	—9.0	—23.8	—19.6	—25.4	—31.0
State and local securities	1.4	8.5	2.7	3.2	17.0	17.7	19.3
Foreign securities	1.8	4.3	2.2	3.9	5.2	5.1	5.3
Total securities	—8.9	—5.4	5.8	—20.3	—13.8	—15.7	—19.6
Home mortgages	9.8	30.1	23.1	29.1	31.3	17.3	19.1
Multifamily, commercial and farm mortgages	4.4	5.2	5.3	7.3	2.5	1.0	.8
Total mortgages	14.1	35.3	28.5	36.5	33.7	18.3	19.9
Total	5.2	30.0	34.3	16.1	19.8	2.6	.3
Short-term - open market paper	10.6	7.4	—8.0	1.2	—6.3	1.6	4.7
U.S. Government and agency securities							
U.S. Government securities	23.1	32.1	31.0	32.4	38.8	43.4	47.8
Federal agency securities	8.3	11.5	2.4	4.8	—2.7	—8.5	2.4
Total	31.5	43.7	33.3	37.2	36.1	34.9	50.2
Total funds	47.4	81.2	59.6	54.3	49.6	39.1	55.2